VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Financial Highlights： **(expressed in US$ million)**

	2011	2010	change
· Total revenue	270.2	246.9	+10%
· Gross profit	47.4	58.7	-19%
· Net profit after tax	17.2	25.1	-32%
· Earnings per share -basic *(US$)*	0.019	0.028	-32%
· Proposed final dividend per share *(US$)*	0.0057	0	
· Time deposits, cash and bank balances	111.1	129.8	

The board of directors (the “Board”) of Vietnam Manufacturing and Export Processing (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2011 together with the comparative figures for the immediately preceding financial year. The Board has recommended the payment of a final dividend of US$0.0057 equivalent to HK$0.04 per ordinary share of the Company in respect of the year ended 31 December 2011.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	**2011**	**2010**
		US$	*US$*
Revenue	2	270,234,336	246,886,124
Cost of sales		(222,869,292)	(188,150,201)
Gross profit		47,365,044	58,735,923
Other income		545,590	1,879,016
Distribution expenses		(16,163,278)	(15,186,776)
Technology transfer fees		(6,899,833)	(6,455,056)
Administrative expenses		(12,915,391)	(13,012,847)
Other expenses		(40,698)	(638,459)
Results from operating activities		11,891,434	25,321,801
Finance income		10,081,397	7,412,393
Finance expenses		(114,325)	(1,586,604)
Net finance income	3 (c)	9,967,072	5,825,789
Share of profits of an equity accounted investee		211,065	213,196
Profit before income tax	**3**	22,069,571	31,360,786
Income tax expenses	4	(4,915,908)	(6,250,621)
Profit for the year		17,153,663	25,110,165
Attributable to:			
Equity holders of the Company		17,153,663	25,110,165
Non-controlling interests		-	-
Profit for the year		17,153,663	25,110,165
Other comprehensive income for the year (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		(9,416,863)	(5,097,557)
Total comprehensive income for the year attributable to equity holders of the Company		7,736,800	20,012,608
Earnings per share			
– basic	6	0.019	0.028
– diluted	6	0.019	0.028

Consolidated Balance Sheet

At 31 December 2011

	Note	2011 *US$*	2010 *US$*
Assets			
Property, plant and equipment	7	34,328,919	40,814,779
Intangible assets		147,557	164,283
Lease prepayments		6,652,976	679,702
Investment in an equity accounted investee		710,756	771,005
Deferred tax assets		7,602	178,489
Total non-current assets		41,847,810	42,608,258
Inventories	8	39,495,162	26,742,020
Trade receivables, other receivables and prepayments	9	11,461,058	10,572,687
Income tax recoverable		10,628	15,548
Investments		3,000,000	-
Derivatives		15,000	-
Time deposits maturing after three months		45,204,411	13,606,410
Cash and cash equivalents		65,896,469	116,147,982
Total current assets		165, 082,728	167,084,647
Total assets		206, 930,538	209,692,905
Liabilities			
Trade and other payables	10	28,616,578	37,237,014
Interest-bearing borrowings		410,549	1,125,966
Income tax payables		674,481	1,698,142
Provisions		1,809,934	1,967,625
Total current liabilities		31,511,542	42,028,747
Total liabilities		31,511,542	42,028,747
Net current assets		133,571,186	125,055,900
Total assets less current liabilities		175,418,996	167,664,158
Net assets		175,418,996	167,664,158
Equity			
Paid-in capital		1,162,872	1,162,872
Reserves		174,256,124	166,501,286
Total equity attributable to equity holders of the Company		175,418,996	167,664,158
Total liabilities and equity		206,930,538	209,692,905

Notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION

The following significant accounting policies have been adopted by the Group in the preparation of these financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Up to the date of issue of these financial statements, the IASB has issued a number of IFRSs amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2011 and which have not yet been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, Consolidated financial statements Basis for conclusions on IFRS 10 Illustrative examples on IFRS 11	1 January 2013
IFRS 12, *Disclosure of interests in other entities* Basis for conclusions on IFRS 12	1 January 2013
IFRS13, *Fair value measurement* Basis for conclusions on IFRS13 Illustrative examples on IFRS 13	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014

IFRS 9, *Financial instruments (2009)* * Basis for conclusions on IFRS 9 (2009)	1 January 2015
Amendments to other IFRSs and guidance on IFRS 9 (2009)	
IFRS 9, *Financial instruments* (2010) * Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2015
Amendments to IFRS 9, *Financial instruments* and IFRS 7 *Financial Instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the derivative financial instruments are stated at fair value as explained in the accounting policy.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates.

The Group has adopted US Dollar ("US$") as its presentation currency as the directors of the Company consider that presentation of the consolidated financial statements in US$ will facilitate analysis of the Group's financial information.

2. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

- Manufacture and sales of motorbikes: the Group's principal products are motorbikes manufactured primarily for the Vietnamese market. The Group also exports motorbikes to other countries including Malaysia, the Philippines, Brunei and Singapore.

- Manufacture and sales of spare parts and engines: the Group manufactures engines for use in the Group's motorbikes, but the Group also exports engines to third parties. The Group manufactures parts for use in repair servicing and product assembly.
- Moulds and repair services: the Group manufactures and maintains moulds used for making metal parts, for example, by die casting and pressing. The majority of the Group's moulds are specially made for internal use, producing parts for the Group's products. However, the Group also manufactures a small number of moulds for external sale to its domestic suppliers and to domestic manufacturers unrelated to the production of parts for the Group's products.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investment in an equity accounted investee, time deposits maturing after three months, cash and cash equivalents, and other corporate assets. Segment liabilities include provisions, trade and other payables attributable to the manufacturing and sales activities of the individual segments with the exception of interest-bearing borrowings, income tax payables and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as net finance income/expenses. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Manufacture and sales of motorbikes US$	Manufacture and sales of spare parts and engines US$	Moulds and repair services US$	Total US$
	Year ended 31 December 2011			
Revenue from external customers	240,560,976	29,561,532	111,828	270,234,336
Inter-segment revenue	2,482	94,859,433	1,535,067	96,396,982
Reportable segment revenue	240,563,458	124,420,965	1,646,895	366,631,318
Reportable segment profits (Adjusted EBIT)	7,967,981	6,362,244	231,672	14,561,897
Interest income	5,586,271	4,042,669	192,410	9,821,350
Interest expense	-	(29,672)	-	(29,672)
Depreciation and amortisation for the year	(4,567,276)	(3,815,286)	(109,910)	(8,492,472)
Reportable segment assets	57,053,583	35,201,395	1,109,377	93,364,355
Reportable segment liabilities	20,417,464	10,065,780	254,817	30,738,061

	Year ended 31 December 2010			
Revenue from external customers	219,296,620	27,441,235	148,269	246,886,124
Inter-segment revenue	-	89,291,138	1,585,820	90,876,958
Reportable segment revenue	219,296,620	116,732,373	1,734,089	337,763,082
Reportable segment profits (Adjusted EBIT)	17,180,831	11,161,091	373,721	28,715,643
Interest income	3,930,009	2,972,542	113,217	7,015,768
Interest expense	(101,385)	(84,850)	(866)	(187,101)
Depreciation and amortisation for the year	(4,523,419)	(3,674,967)	(111,632)	(8,310,018)
Reportable segment assets	47,436,652	32,382,132	1,152,673	80,971,457
Reportable segment liabilities	25,697,255	14,318,124	137,877	40,153,256

(b) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

	2011	2010
	US$	*US$*
Revenue		
Reportable segment revenue	366,631,318	337,763,082
Elimination of inter-segment revenue	(96,396,982)	(90,876,958)
Consolidated revenue	270,234,336	246,886,124
Profit		
Reportable segment profit	14,561,897	28,715,643
Elimination of inter-segment profits	-	-
Reportable segment profit derived from Group's external customers	14,561,897	28,715,643
Net finance income	9,967,072	5,825,789
Share of profits of an equity accounted investee	211,065	213,196
Unallocated corporate expenses	(2,670,463)	(3,393,842)
Consolidated profit before income tax	22,069,571	31,360,786

	At 31 December 2011	At 31 December 2010
	US$	*US$*
Assets		
Reportable segment assets	93,364,355	80,971,457
Elimination of inter-segment receivables	(1,335,077)	(1,886,026)
	92,029,278	79,085,431
Investment in an equity accounted investee	710,756	771,005
Investments and derivatives	3,015,000	-
Time deposits maturing after three months		
- current	45,204,411	13,606,410
Income tax recoverable	10,628	15,548
Cash and cash equivalents	65,896,469	116,147,982
Unallocated corporate assets	63,996	66,529
Consolidated total assets	206,930,538	209,692,905
Liabilities		
Reportable segment liabilities	30,738,061	40,153,256

Elimination of inter-segment payables	(1,335,077)	(1,945,198)
	29,402,984	38,208,058
Interest-bearing borrowings	410,549	1,125,966
Income tax payables	674,481	1,698,142
Unallocated corporate liabilities	1,023,528	996,581
Consolidated total liabilities	31,511,542	42,028,747

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and investment in an equity accounted investee ("specified non-current assets"). The geographical location of customers is based on the location where the goods were delivered to or where the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of investment in an equity accounted investee.

	Revenues from external customers		**Specified non-current assets**	
	2011	*2010*	*2011*	*2010*
	US$	*US$*	*US$*	*US$*
Vietnam (place of domicile)	240,684,279	219,951,085	41,127,725	41,657,406
Other countries*	29,550,057	26,935,039	1,727	1,358
	270,234,336	246,886,124	41,129,452	41,658,764

* Other countries mainly consist of Malaysia, the Philippines, Brunei and Singapore.

3. PROFIT BEFORE INCOME TAX

The following items have been included in arriving at profit before income tax:

(a) Staff costs (including management's emoluments)

	2011	**2010**
	US$	*US$*
Salaries, wages and other benefits	12,992,153	12,122,971
Equity-settled share-based payment expenses	10,532	105,245
Contributions to defined contribution plans	757,782	645,706
Severance pay allowance	322,348	464,282
	14,082,815	13,338,204

(b) Other items

Amortisation of lease prepayments/intangible assets	319,263	131,305
Auditors' remuneration	472,851	454,531
Cost of inventories recognised as expenses *(i)*	198,259,000	174,765,235
Depreciation of property, plant and equipment	8,173,209	8,178,713
Equity-settled share-based payment expenses		

- employees of the Group	10,532	105,245
- employees of the ultimate holding company	7,506	102,234
Gain on disposal/write off of property, plant and equipment (net)	(114,432)	(9,853)
Operating lease of properties	884,801	608,550
Research and development expenses *(ii)*	11,717,963	7,517,623
Technical consultancy fee	834,501	717,133
Warranty expenses	2,920,500	2,596,557
Allowance for inventory impairment	55,046	417,321
Allowance for impairment of property, plant and Equipment	12,556	478,921
Allowance for impairment of goodwill	-	8,751

(i) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation and amortisation expenses and rental expense of properties, which are also included in the respective total amounts disclosed separately above or in Note 3(a) for each of these types of expenses.

(ii) Research and development expenses include amounts relating to technology transfer fee, staff costs, depreciation and amortisation expenses, rental expense of properties and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in Note 3(a) for each of these types of expenses. No development expenditure was capitalised for the year ended 31 December 2011 (2010: US$Nil).

(c) Finance income and expenses

Interest income from banks	10,081,397	7,409,647
Dividend income from mutual funds	-	2,746
Finance income	10,081,397	7,412,393
Interest paid and payable to banks	(29,672)	(62,423)
Net foreign exchange losses	(84,653)	(1,524,181)
Finance expenses	(114,325)	(1,586,604)
Net finance income	9,967,072	5,825,789

4. INCOME TAX EXPENSES

Recognised in the consolidated income statement

	2011	**2010**
	US$	*US$*
Current tax expenses		
– current tax	4,444,515	5,328,309
– under provision in respect of prior years	308,306	77,237
Deferred tax expense		
– origination and reversal of temporary differences	163,087	845,075
	4,915,908	6,250,621

No provision for Hong Kong profits tax has been made, as the Group did not earn any income subject to Hong Kong profits tax for the year ended 31 December 2011.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

In accordance with the Law of Foreign Investment of 1987, as amended in 1990 and 1992 in Vietnam, provision for corporate income tax ("CIT") for VMEP is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 25%.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000 in Vietnam, the applicable CIT rate for Vietnam Casting Forge Precision Limited ("VCFP") is 15%. VCFP is entitled to a tax holiday of a tax-free period for 3 years from 2003 to 2005. Thereafter, it is subject to CIT at 50% of the applicable income tax rate for the following 7 years from 2006 to 2012.

In accordance with the Law of Foreign Investment of 1996, as amended in 2000, the Investment Law of 2006, and the Law on Corporate Income Tax of 2003 in Vietnam, the applicable tax rate for Duc Phat Molds Inc. is 15% for the first 5 years starting from the first year of operation, 20% for the next 6 years (2007 to 2012) and 25% for subsequent years.

In accordance with the Corporate Income Tax Law of Taiwan, as amended in 2010, the applicable tax rate for Chin Zong Trading Co., Ltd ("Chin Zong") is 17% of the taxable profit if total taxable profit is above New Taiwan Dollar ("NT$") 120,000. Income tax is exempted if the taxable profit is below NT$ 120,000.

In accordance with the Income Tax Law of Indonesia, the applicable tax rate for PT Sanyang Industri Indonesia is 25%.

5. DIVIDEND

(a) Dividends payable to equity holders of the Company attributable to the year

	2011	**2010**
	US$	*US$*
Final dividend proposed after the balance sheet date of US$0.0057 (2010:US$Nil) per ordinary share*	5,173,776	-

* *The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.*

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, declared and paid during the year

Final dividend in respect of the previous year, declared and paid during the year of US$Nil per ordinary share (2010: US$0.0219)	-	19,818,597

6. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of US$17,153,663 (2010: US$25,110,165) and the weighted average of 907,680,000 ordinary shares (2010: 907,680,000 ordinary shares) in issue during the year.

Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2011 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

7. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery, moulds and equipment	Office equipment, furniture and fittings	Electrical, water and utility systems	Motor vehicles	Assets under construction	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Cost							
At 1 January 2010	11,163,964	68,576,472	1,704,801	5,333,538	1,199,414	6,408,664	94,386,853
Additions	269,303	8,897,015	424,405	121,783	300,033	2,263,766	12,276,305
Transfer from assets under construction	7,211	483,680	20,371	3,238	32,532	(547,032)	-
Disposals	(5,219)	(1,448,618)	(30,583)	(1,219)	(91,323)	-	(1,576,962)
Effect of movements in exchange rates	(588,373)	(3,664,016)	(95,876)	(281,482)	(62,510)	(366,364)	(5,058,621)
At 31 December 2010	10,846,886	72,844,533	2,023,118	5,175,858	1,378,146	7,759,034	100,027,575
Additions	419,857	2,631,455	150,820	259,395	332,068	1,163,702	4,957,297
Transfer from assets under construction	4,675,047	1,135,057	-	2,154,258	-	(7,964,362)	-
Transfer to long term prepayments	-	-	-	-	-	(328,840)	(328,840)
Disposals	-	(1,140,371)	-	-	(192,845)	-	(1,333,216)
Written off	-	(240,778)	(25,355)	-	(9,355)	-	(275,488)
Effect of movements in exchange rates	(918,868)	(5,342,379)	(150,325)	(438,281)	(101,428)	(388,275)	(7,339,556)
At 31 December 2011	15,022,922	69,887,517	1,998,258	7,151,230	1,406,586	241,259	95,707,772
Accumulated depreciation and impairment loss							
At 1 January 2010	3,806,222	44,915,028	1,211,560	4,265,640	854,295	-	55,052,745
Depreciation charge for the year	373,873	7,293,883	212,970	181,649	116,338	-	8,178,713
Impairment loss	5,694	442,723	160	-	30,344	-	478,921
Disposals	(986)	(1,428,167)	(30,387)	(1,067)	(60,478)	-	(1,521,085)
Effect of movements in exchange rates	(205,551)	(2,433,904)	(66,215)	(226,586)	(44,242)	-	(2,976,498)
At 31 December 2010	3,979,252	48,789,563	1,328,088	4,219,636	896,257	-	59,212,796
Depreciation charge for the year	1,324,153	6,164,550	225,243	342,519	116,744	-	8,173,209
Impairment loss	-	12,556	-	-	-	-	12,556
Disposals	-	(1,140,371)	-	-	(168,043)	-	(1,308,414)
Written off	-	(229,665)	(24,110)	-	(8,209)	-	(261,984)
Effect of movements in exchange rates	(323,120)	(3,646,498)	(101,515)	(316,672)	(61,505)	-	(4,449,310)
At 31 December 2011	4,980,285	49,950,135	1,427,706	4,245,483	775,244	-	61,378,853
Carrying amount							
At 31 December 2011	10,042,637	19,937,382	570,552	2,905,747	631,342	241,259	34,328,919
At 31 December 2010	6,867,634	24,054,970	695,030	956,222	481,889	7,759,034	40,814,779

8. INVENTORIES

	The Group	
	2011	**2010**
	US$	*US$*
Raw materials	26,866,072	18,781,292
Tools and supplies	520,268	590,597
Work in progress	883,681	445,727
Finished goods	6,489,033	4,680,214
Merchandise inventories*	5,070,990	3,391,183
	39,830,044	27,889,013
Allowance for inventory impairment	(334,882)	(1,146,993)
Net realisable value	39,495,162	26,742,020

* *Merchandise inventories mainly represent spare parts kept for repairs and maintenance.*

The analysis of the amount of inventories recognised as expenses is as follows:

Carrying amount of inventories sold	198,259,000	174,765,235
Allowance for inventory impairment	55,046	417,321
	198,314,046	175,182,556

Movements in allowance for inventory impairment were as follows:

At 1 January	1,146,993	2,504,463
Additions	55,046	417,321
Utilisation	(810,737)	(1,672,233)
Effect of movements in exchange rates	(56,420)	(102,558)
At 31 December	334,882	1,146,993

9. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2011	**2010**	**2011**	**2010**
	US$	*US$*	*US$*	*US$*
Trade receivables	3,457,357	2,931,202	-	-
Non-trade receivables	4,324,345	2,644.112	63,996	66,529
Prepayments	3,561,964	4,843,593	-	-
Amounts due from related parties				
- trade	115,699	153,624	-	-
- non-trade	1,693	156	24,500,000	-
	11,461,058	10,572,687	24,563,996	66,529

(i) Trade receivables

All of the trade receivables are expected to be recovered within one year.

An aging analysis of the trade receivables of the Group, including trade receivables due from related parties is as follows:

	The Group 2011 US$	The Group 2010 US$
Within three months	3,551,802	3,084,826
More than three months but within one year	21,254	-
	3,573,056	3,084,826

10. TRADE AND OTHER PAYABLES

	The Group 2011 US$	The Group 2010 US$	The Company 2011 US$	The Company 2010 US$
Trade payables	10,075,926	17,537,125	-	-
Other payables and accrued operating expenses	9,540,556	10,855,113	729,560	699,793
Advances from customers	1,494,302	2,821,641	-	-
Amounts due to related parties				
- trade	7,504,614	6,021,797	-	-
- non-trade	1,180	1,338	1,180	1,338
Amount due to a subsidiary	-	-	-	97,087
	28,616,578	37,237,014	730,740	798,218

(i) Trade payables

An aging analysis of trade payables of the Group, including trade payables due to related parties is as follows:

	The Group 2011 US$	The Group 2010 US$
Within three months	17,502,961	19,604,630
More than three months but within one year	76,363	3,952,072
More than one year but within five years	1,216	2,220
	17,580,540	23,558,922

MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the leading manufacturers of scooters and cub motorbikes in Vietnam, its manufacturing and assembly operations are located in Dong Nai Province (near Ho Chi Minh City) and Hanoi of Vietnam with an annual production capacity of 360,000 motorbikes. Offering a wide range of models, the Group's motorbikes are sold under the SYM and SANDA brand names. It also produces motorbike engines and parts for internal use and export as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

Operation Environment

The global economy started the year with return of uncertainties. The European debt crisis had deep impacts on countries around the world, causing the global economic downturn. Vietnam was also affected by external environment, while the pressure from inflation of the past several years continued to grow. To combat inflation-induced devaluation of the Vietnamese Dong, the

Vietnam government has adopted monetary tightening policies and encouraged exports to reduce the deficit balance of trade.

Through the joint efforts of the Vietnam government and its central bank, Vietnam largely maintained macro-economic stability and reasonable economic growth, while its domestic motorbike industry continued to grow at a steady pace. According to statistics from the Vietnam General Statistics Office, the gross domestic product (GDP) increased by 5.9% in 2011 and the consumer price index (CPI) reached 18.6%. The number of motorbikes sold in 2011 was approximately 3.70 million units, representing an increase of 10% over the previous year. The exchange rate for Vietnamese Dong against US$ was US$ 1: VND 19,500 as at 31 December 2010, depreciating by 7.88% to US$ 1: VND 21,036 as at 31 December 2011. The rate maintained at approximately US$ 1: VND 20,790 in the middle of March 2012, which has been getting more stable recently.

Facing the intense competition within the industry and continuous growth, the Company is well positioned to seize existing market opportunities and make great strides amidst the current market environment by virtue of years of experience and dedicated effort.

Business Review

During the financial year of 2011, the Group has achieved successful execution of its business strategy of providing high performance products and high value added services to its high quality demand customers. For the year ended 31 December 2011, an aggregate of approximately 220,000 units (of which approximately 138,000 units and 82,000 units are scooters and cubs respectively) were sold by the Company in Vietnam.

The challenge to the Group was to improve operational efficiency, cost control and the pricing power of our products to maintain margins, while also to keep sales momentum on an upward trend to enlarge our market share. During the year under review, the costs of materials, components, wages and salaries increased by double digits. Given such a competitive market environment, the management opted for adjusting sales prices gradually rather than shifting all the additional costs to consumers immediately. As a result, our operating profit grew slower than sales revenue. To minimise the negative effects on business from rising costs due to inflation, the Group continuously strengthened its bargaining power for material & components purchases through increased local sourcing. In addition, in order to adapt to current market trends, the Group introduced new models featuring electronic fuel injection technology for quality upgrading and integration. Such technology offers outstanding advantages in fuel saving and environmental protection, but the addition of imported components also added pressure to the overall cost.

The Group strived in building its product sales network, aiming to achieve customer loyalty by constant expansion across Vietnam and implementing flexible marketing strategies. As of 31 December 2011, the Group's extensive distribution network comprised over 331 SYM-authorised stores owned by dealers, covering every province in Vietnam.

As the Company's overseas target markets, major ASEAN countries witnessed satisfying economic performance. Future economic growth is expected to be stable, with their motorbike markets in particular growing relatively fast. The Group will continue to penetrate its business into ASEAN markets (such as Malaysia, the Philippines and Thailand), and focus its future strategic planning in this direction. For the year ended 31 December 2011, the Company exported a total of 44,000 motorbikes to ASEAN countries (mainly the Philippines, Malaysia, Thailand, Indonesia, Singapore, Myanmar and Brunei), representing a growth of 20% over the previous year.

Financial Review
Revenue increased 10% from US$246.9 million for the year ended 31 December 2010 to US$270.2 million for the year ended 31 December 2011, and the Group's net profit after tax was US$17.2 million for the year ended 31 December 2011 as compared with US$25.1 million for the year ended 31 December 2010.

Revenue
Revenue of the Group for the year ended 31 December 2011 increased to US$270.2 million from US$246.9 million for the year ended 31 December 2010, representing an increase of US$23.3 million or 10%. This increase was due to stable domestic demand in Vietnam during the year. The Group's domestic sales quantities of scooters increased by 8% for the year ended 31 December 2011 as compared with the year ended 31 December 2010, while overall sales quantities also increased from approximately 235,000 units for the year ended 31 December 2010 to 264,000 units for the year ended 31 December 2011, representing an increase of 12% over the comparative periods. Sales of scooters continued to be the Group's major profit driver which accounting for 68% of total sales, and the principal models were ATTILA- ELIZABETH、ELEGANT、ANGEL and JOYRIDE.

In terms of geographical contribution, approximately 89% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2011. Domestic sales in Vietnam increased 9% from US$220.0 million for the year ended 31 December 2010 to US$240.7 million for the year ended 31 December 2011. Due to the increase in the overseas markets demands, export sales increased by US$2.6 million during the year of 2011. The quantity of engines exported increased by approximately 9,000 units from approximately 25,000 units for the year ended 31 December 2010 to approximately 34,000 units for the year ended 31 December 2011.

Cost of Sales
The cost of sales mainly composed of materials and components costs, direct labour and manufacturing overheads, etc. The Group's cost of sales increased by 18%, from US$188.2 million for the year ended 31 December 2010 to US$222.9 million for the year ended 31 December 2011. Such increment was primarily due to the increase in labour costs in Vietnam, costs of materials and components particularly those sourced locally and rising import costs of advance technology components like electronic fuel injection enginees attributed to foreign currencies appreciation against Vietnamese Dong. The Group has increased the usage of components sourced locally, and reduced cost of new models through re-design and improved technology development, etc. To mitigate the adverse impact on its operations, the Group focused on maintaining stringent controls over its operating costs. As a percentage of total revenue, the Group's cost of sales slightly increased from 76% for the year ended 31 December 2010 to 82% for the year ended 31 December 2011.

Gross Profit and Gross Profit Margin
Despite the increases of materials, components and labor costs and devaluation of Vietnamese Dong as discussed above, the gross profit of the Group decreased by 19%, from US$58.7 million for the year ended 31 December 2010 to US$47.4 million for the year ended 31 December 2011. In between such comparative periods, however, the Group's gross profit margin has slightly decreased from 24% to 18%.

Distribution Expenses
The distribution expenses mainly included warranty, advertising, dealers sales incentives, delivery charges to distributors and other sales related expenses. The Group's distribution expenses increased by 6%, from US$15.2 million for the year ended 31 December 2010 to

US$16.2 million for the year ended 31 December 2011. Such increment was mainly due to the increases in advertising expenses and delivery charges, as these were the marketing strategies adopted by the Group to increase its market share in a competitive market.

Technology Transfer Fees

The technology transfer fees increased by 7%, from US$6.5 million for the year ended 31 December 2010 to US$6.9 million for the year ended 31 December 2011. Such increment was largely due to an increase in the sales volume of SYM- branded motorbikes particularly scooters.

Administrative Expenses

The Group's administrative expenses slightly decreased by 1%, from US$13.0 million for the year ended 31 December 2010 to US$12.9 million for the year ended 31 December 2011, which accounting for 5% of the Group's total revenue for the year ended 31 December 2011. This decrease was mainly attributable to the reduction of repair and maintenance, testing charges and oversea travelling expenses which offset the increase of staff salaries and related costs.

Results from Operating Activities

As a result of the factors discussed above, the Group's profit from operating activities decreased by 53%, from US$25.3 million for the year ended 31 December 2010 to US$11.9 million for the year ended 31 December 2011.

Net Financial Income

The Group's net financial income increased by 71%, from US$5.8 million for the year ended 31 December 2010 to US$10.0 million for the year ended 31 December 2011. Such increment was mainly attributable to a significant increase in the Group's interest income from deposits placed with banks in Vietnam with higher rates amounted to US$10.1 million. Exchange losses regarding the deterioration of exchange rate of the Vietnamese Dong against the US$ decreased from US$1.5 million for the year ended 31 December 2010 to US$0.1 million for the year ended 31 December 2011.

Profit for the Year and Profit Margin

As a result of the factors discussed above, the Group's profit for the year, after income tax, decreased by 32%, from US$25.1 million for the year ended 31 December 2010 to US$17.2 million for the year ended 31 December 2011, and the Group's net profit margin has decreased from 10% to 6%.

Liquidity and Financial Resources

As at 31 December 2011, the Group's net current assets amounted to US$133.6 million (31 December 2010: US$125.1 million) which consisted of current assets amounting to US$165.1 million (31 December 2010: US$167.1 million) and current liabilities amounting to US$31.5 million (31 December 2010: US$42.0 million).

As at 31 December 2011, the interest-bearing borrowings repayable within one year was US$0.4 million which was denominated in US$ (31 December 2010: US$1.1 million which was denominated in US$). As at 31 December 2011, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2010: US$Nil). As at 31 December 2011, the gearing ratio was 0.2% (31 December 2010: 0.7%) calculated by dividing total interest-bearing borrowings by total equity.

As at 31 December 2011, the cash and bank balances (including bank deposits), amounted to US$111.1 million, mainly including US$52.8 million which was originally denominated in Vietnamese Dong, US$51.6 million which was denominated in US$ and US$6.7 million which was originally denominated in RMB, NTD and IDR (31 December 2010: US$129.8 million, mainly including US$80.1 million which was originally denominated in Vietnamese Dong, US$47.1 million which was denominated in US$ and US$2.6 million which was originally denominated in HK$, NTD and IDR).

As at 31 December 2011, the Group had investment, i.e. 100% principal-protected US$ digital capital protected notes, amounted to US$3.0 million (31 December 2010: US$Nil).

The Board is of the opinion that the Group will be in a healthy financial position and has sufficient resources to satisfy its working capital requirements and for its foreseeable capital expenditure.

Exposure to Foreign Exchange Risk

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong or US$. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures.

Capital Commitments and Contingent Liabilities

As at 31 December 2011, the capital commitments of the Group in respect of relocation and construction of a new factory amounted to US$22.7 million which will all be paid off using the proceeds from the initial public offering ("IPO") of the shares of the Company in connection with its listing on the main board of the Stock Exchange and cash generated from the Group's operations. The Group had no significant contingent liabilities as at 31 December 2011.

Human Resources and Remuneration Policies

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia and Hong Kong, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, share options, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 31 December 2011, the Group had 2,230 employees (2010: 2,210). The total amount of salaries and related costs for the year ended 31 December 2011 amounted to US$14.1 million (2010: US$13.3 million).

Prospects

Vietnam has emerged as the new highlight among Asian economies as the disposable income of Vietnam citizens continues to rise. The Group believes that Vietnam's economic development will grow steadily following the Vietnam government's adoption of proactive and effective policies to combat inflation. The motorbike industry in Vietnam is driven by rural development, road construction and the increasing consumer power of the people, and the overall motorbike market is on course to reach four million units per annum. As for the major ASEAN countries, motorbike markets there also continued to maintain fast growth, driven by positive economic conditions. Enormous opportunities are brought by the booming motorbike market, competing manufacturers in this sector therefore increasing investment and expanding capacity, resulting in fierce competition. Based on the situation discussed above, the Group has determined to put “Quality Strengthening, Sales Network Expansion and Service Innovation” as core strategy to meet the challenges in 2012.

The Group has designated 2012 to be a year for all-round quality improvement. Towards that end, the Group has conducted a series of activities in selected months to raise awareness of quality among all employees and enhance the quality of products, sales, service and management. Moreover, the Group has established a system to improve quality and reduce costs by rationalising projects, improving teamwork and integrating performance evaluations. The Group is also increasing its bargaining power by expanding its network of suppliers and procurement sources, thus lowering procurement costs. The Group will continue to exploit in-house research and delelopment advantages while introducing a new generation of electronic fuel injection technology, and enhance the products’ market strength and cost effectiveness by applying value analysis and value engineering techniques. To consolidate gains in the female market, the Group is also refashioning major models, namely ATTILA -ELIZABETH. Meanwhile, the electronic fuel injection engine was added to the SHARK model to increase sales of niche products to male customers. New models will be introduced from time to time in different geographic markets to promote motorbike sales.

With respect to marketing in general, we will continue to vigorously increase our points of sale and enhance our stores based on market channel stocktaking and quantitative analysis. Meanwhile, the productivity of our agents will be enhanced through promotional activities and incentive schemes. The Group has maintained overseas sales growth for years, with annual increases in sales volume. The Group will expand the successful model applied in Philippines and Malaysia to other ASEAN regions. Additionally, the Group has formulated a new customer care policy and launched an innovative service approach. The Group will conduct a comprehensive review of its innovation planning with respect to systems, technology, maintenance service components, maintenance service points and service activities, striving to satisfy our customers’ demand by reliable, convenient and considerate service.

In accordance with the Hanoi Government’s overall urbanisation plan, the Group will relocate its plant to a new location in Hanoi. The new plant is expected that the construction will be completed and will commence operations by 2013. The plan to redevelop the original plant site is under preliminary internal evaluation only *a*nd specific schedule has yet to be assessed.

Under the guidance of the new management team, the Directors are dedicated to delivering a unified corporate culture that will best serve the Group’s interests. New directors, having previously taken important positions in the Group’s sales and research and delelopment departments, are now deemed to be responsible for the Group’s stable future growth by virtue of their professional experience. The management believe that, while the Group experienced stable development in 2011, 2012 will be a challenging year, but also one full of opportunities. Given the Group’s top research and delelopment capability and healthy financial position, the Group believes satisfying results will be delivered and the Company’s shareholders will be provided by maximum returns through the strategies discussed above.

The management is optimistic that the Group is able to sustain a continuous growth of the Group's business in 2012 and beyond. This coupled with our first-class research and development capabilities and healthy financial position, will enable the Group to achieve robust performance in the coming years. The Group is confident that it will achieve good results and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the issuance of new shares by the Company in December 2007, net of listing expenses, were approximately US$76.7 million. As at 31 December 2011, the net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 31 December 2011 US$' million
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam, of which:			
- Upgrading of existing facilities	4.0	4.0	–
- Establishing of new facilities	46.0	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

The unutilized balance was placed as deposits with several reputable financial institutions. For further details, please see the paragraph above headed "Liquidity and Financial Resources".

CORPORATE GOVERNANCE PRACTICES

Having considered, amongst other things, the findings of reviews and/or audits conducted by independent professional parties, the Board is satisfied that the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year ended 31 December 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2011.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2011 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

ANNUAL GENERAL MEETING

It is proposed that an annual general meeting will be held on 30 May 2012. Notice of the annual general meeting will be published and issued to the Shareholders in due course. For determining the entitlement to attend and vote in the annual general meeting, the register of members of the Company will be closed from 28 May 2012 to 30 May 2012 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the attendance of the annual general meeting, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops

1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30p.m. on 25 May 2012.

PROPOSED FINAL DIVIDEND AND BOOK CLOSURE FOR ENTITLEMENT OF THE PROPOSED DIVIDEND

The Board has recommended the payment of a final dividend of US$0.0057 equivalent to HK$0.04 per ordinary share of the Company in respect of the year ended 31 December 2011. Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 30 May 2012, the final dividend will be paid on or about 22 June 2012.

In order to qualify for the above mentioned final dividend, the register of members of the Company will be closed from 6 June 2012 to 8 June 2012 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30p.m. on 5 June 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2011, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.vmeph.com. The annual report 2011 of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

Finally, we would like to express our gratitude to the Shareholders and the suppliers and customers of the Group for their unwavering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the Board
Vietnam Manufacturing and Export Processing (Holdings) Limited
Chang Kwang Hsiung
Chairman

Hong Kong, 19 March 2012

As at the date of this announcement, the board of directors of the Company (the "Directors") comprised four executive Directors, namely Mr. Chang Kwang Hsiung, Mr. Chou Ken Yuan, Mr. Wang Ching Tung and Mr. Yu Wen Lung, two non-executive Directors, namely Mr. Chiang Shih Huang and Mr. Chiu Ying Feng, and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Mr. Wei Sheng Huang.

For the purpose of this announcement, amounts denominated in US$ have been converted into HK$ at an exchange rate of US$1.00 : HK$7.8 (where relevant).