VMEPH Vietnam

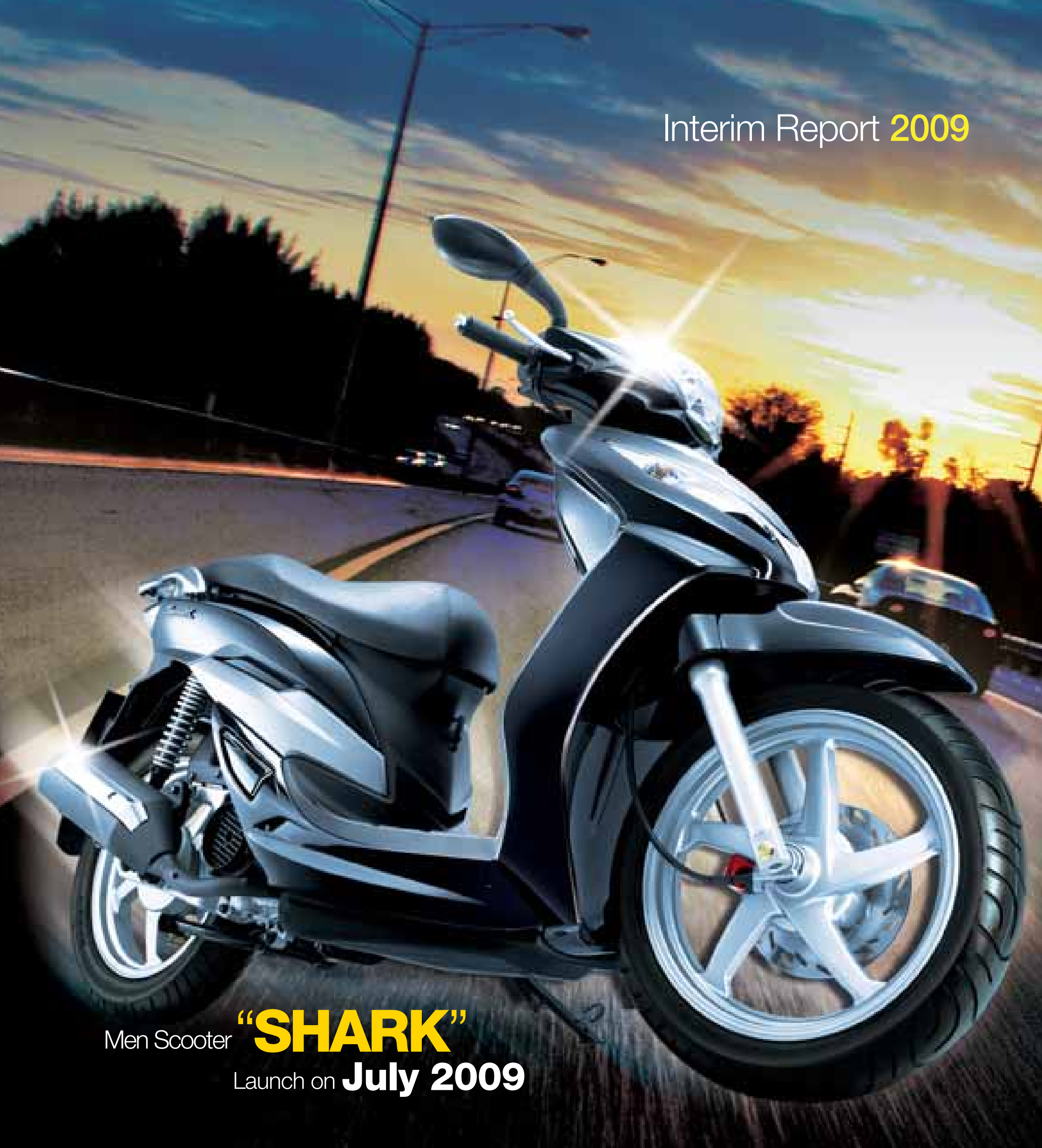
Vietnam Manufacturing and Export Processing (Holdings) Limited

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)

Interim Report 2009



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MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the leading manufacturers of scooter and cub motorbikes in Vietnam. Its manufacturing and assembly operations are located in Dong Nai Province and Ha Tay Province of Vietnam. In February 2008, these facilities were awarded ISO 14001 certification for their environmental management systems.

Offering a wide range of models, the Group's motorbikes are sold under the SYM and SANDA brand names. The Group also produces motorbike engines and parts for internal use and export and provides services in relation to moulds for making die-cast and forged metal parts.

BUSINESS REVIEW

Following effective macro-economic control measures initiated by the Vietnamese government, including interest rate rebates, deferral of the new personal income tax and an easing of restrictions on bank loans, as well as other policy decisions, Vietnam's economy showed signs of recovery during the period under review despite the continuing global economic slowdown. Vietnam's GDP rebounded and expanded 4.5% in the second quarter of 2009 against 3.1% growth recorded in the first quarter of 2009. This could be an indication that the worst of the economic downturn might be over.

Given the unprecedented economic environment and intensified competition within Vietnam, the Group has deployed its resources prudently in order to build sustainable and long-term returns for its shareholders. The Group has further strengthened its cost controls to enhance operational efficiency. In addition, after sales services were also strengthened during the period under review to raise customer satisfaction and loyalty, as well as helping further secure existing distribution networks.

Product innovation and quality are of paramount importance to our sustainable development. The Group is currently building a new 300,000 square meters research and development centre in Vietnam that is expected to begin operations during the second half of 2009. To help boost quality, the Group has also been continuously enhancing its product designs to meet customer demand and to expand its customer base. Particular focus is placed on functional improvements, including the development of the fuel injection motorbikes, engine enhancements, noise and vibration reduction and other measures in order to bolster the competitiveness of our products.

During the period under review, the Group has redoubled its efforts in overseas market expansion, especially within ASEAN countries, to help broaden the company's overall revenue stream. Encouraging results have been achieved with sales revenue and volume increasing more than 68% and 122% respectively compared to the same period of the previous year. The Group's products are now marketed in the Philippines, Indonesia, Singapore, Brunei, Myanmar and Malaysia.

FINANCIAL REVIEW

Amidst sluggish sales demand generally in Vietnam, the motorbike market in Vietnam has been facing an increasingly difficult operating environment. The Group's revenue decreased by US$43.2 million or 32%, from US$134.3 million for the six months ended 30 June 2008 to US$91.1 million for the six months ended 30 June 2009, and the Group's net profit after tax was US$4.0 million for the six months ended 30 June 2009 as compared with US$16.5 million for the six months ended 30 June 2008. To mitigate the adverse impact on its operations, the Group has maintained strict controls over its operating costs and capital expenditures.

REVENUE

Revenue of the Group for the six months ended 30 June 2009 decreased by US$43.2 million, or 32%, to US$91.1 million from US$134.3 million for the six months ended 30 June 2008. The decrease was due to sluggish domestic demand leading to a decline of selling price and sales volume of the Group's motorbikes.

COST OF SALES

The Group's cost of sales decreased by 26%, from US$98.2 million for the six months ended 30 June 2008 to US$72.4 million for the six months ended 30 June 2009. The decrease was primarily due to lower sales volume. As a percentage of total revenue, the Group's cost of sales increased from 73% for the six months ended 30 June 2008 to 80% in the six months ended 30 June 2009.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the factors discussed above, the gross profit of the Group decreased by 48%, from US$36.1 million for the six months ended 30 June 2008 to US$18.6 million for the six months ended 30 June 2009. Between such comparative period, the Group's gross profit margin decreased from 27% to 20%, mainly due to the decline in selling price of the products and sales volume of scooters which posses a relatively high profit margin.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 33%, from US$8.5 million for the six months ended 30 June 2008 to US$5.7 million for the six months ended 30 June 2009. This decrease was mainly due to the decrease in advertising expenses of US$1.5 million and lesser sales incentives to distributors due to sluggish sales.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 27%, from US$3.3 million for the six months ended 30 June 2008 to US$2.4 million for the six months ended 30 June 2009. This decrease was largely due to a decrease in the sales volume of SYM-branded motorbikes and related parts.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 17%, from US$7.4 million for the six months ended 30 June 2008 to US$6.1 million for the six months ended 30 June 2009, accounting for 7% of the Group's total revenue for the six months ended 30 June 2009. This was principally as a consequence of the decrease in staff remunerations of US$0.5 million, equity settled share-based payment expenses attributable to the valuation of granted share options of US$0.5 million and legal and compliance expenses of US$0.3 million.

PROFIT FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's profit from operating activities decreased by 75%, from US$17.3 million for the six months ended 30 June 2008 to US$4.3 million for the six months ended 30 June 2009.

NET FINANCE INCOME

The Group's net finance income decreased by 38%, from US$1.6 million for the six months ended 30 June 2008 to US$1.0 million for the six months ended 30 June 2009. Exchange losses during the period decreased, yet the significant decrease in the Group's interest income led to the decline in the net finance income during the period.

PROFIT FOR THE PERIOD AND PROFIT MARGIN

As a result of the factors discussed above, the Group's profit for the period, after income tax, decreased by 76%, from US$16.5 million for the six months ended 30 June 2008 to US$4.0 million for the six months ended 30 June 2009, and the Group's net profit margin decreased from 12% for the six months ended 30 June 2008 to 4% for the six months ended 30 June 2009.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group's net current assets amounted to US$122.8 million (31 December 2008: US$125.5 million) which consisted of current assets amounting to US$157.8 million (31 December 2008: US$189.4 million) and current liabilities amounting to US$35.0 million (31 December 2008: US$63.9 million).

As at 30 June 2009, the interest-bearing borrowings repayable within one year was US$7.1 million, of which US$5.3 million was denominated in US$ and US$1.8 million was originally denominated in Vietnam Dong (31 December 2008: US$39.8 million, of which US$15.1 million was denominated in US$ and US$24.7 million was originally denominated in HK$). As at 30 June 2009, the Group had interest-bearing borrowings repayable beyond one year amounting to US$0.03 million which was denominated in US$ (31 December 2008: US$0.04 million which was denominated in US$). As at 30 June 2009, the gearing ratio was 4% (31 December 2008: 23%) calculated by dividing total interest-bearing borrowings by total equity.

As at 30 June 2009, the cash and bank balances (including pledged bank deposits), amounted to US$93.4 million, including US$58.3 million which was originally denominated in Vietnam Dong, US$ 32.3 million which was denominated in US$ and US$2.8 million which was originally denominated in HK$, NTD and IDR (31 December 2008: US$60.3 million, including US$38.6 million which was originally denominated in Vietnam Dong, US$12.3 million which was denominated in US$, US$5.0 million which was originally denominated in HK$ and US$4.3 million which was originally denominated in NTD)

As at 30 June 2009, the Group had placed with a reputable financial institution available-for-sale financial assets, i.e. mutual funds denominated in US$ amounting to US$24.8 million (31 December 2008: US$75.6 million included assets-backed securities US$68.1 million and mutual funds US$7.5 million and were mainly denominated in US$). These financial assets predominantly had a credit rating of AAAm and were not credit-impaired.

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.

PLEDGE OF ASSETS

As at 30 June 2009, pledged bank deposits amounting to US$5.4 million (31 December 2008: US$7.9 million and assets-backed securities US$68.1 million) were pledged with banks as security for certain banking facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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 Vietnam Dong or US dollars. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures. The Vietnam Dong has been depreciating since April 2008, but the Vietnam government has managed to stabilise it by adopting stringent fiscal and monetary measures. The reform of the Vietnam Dong exchange rate regime benefited the Group as a whole as the revenue from the business operations of the Group is mainly denominated in Vietnam Dong.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2009, the capital commitments of the Group amounted to US$ 8.4 million (31 December 2008: US$11.0 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.

Other than the contingent liability set out in note 18, the Group had no significant contingent liabilities as at 30 June 2009.

CONTINGENT ASSET

As disclosed in Note 18, a fire broke out in one of VMEP's factories and has resulted in losses to the Group's inventories and property, plant and equipment in September 2008. The Group submitted an insurance claim of approximately US$3.0 million in September 2008 for the losses. Up to the date of issue of these financial statements, the Group has not received a written confirmation from the insurance company as to agreement to the claim. No asset is recognized in respect of this insurance claim.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan 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 30 June 2009, the Group had 1,725 employees (30 June 2008: 2,161). The total amount of salaries and related costs for the six months ended 30 June 2009 amounted to US$5.3 million (six months ended 30 June 2008: US$6.6 million).

CHANGES SINCE 31 DECEMBER 2008

Save as disclosed in this report, since 31 December 2008, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed, "Management Discussion and Analysis", in the annual report of the Company for the year ended 31 December 2008.

PROSPECTS

The global financial crisis continues to pose challenges for business. However, given gradually recovering macro-economic conditions coupled with favourable policies introduced by the Vietnamese government, the Group maintains a positive attitude toward market growth in the coming years.

In this period of uncertainty, the Group strives to consolidate overall marketing strategies and strengthen its product mix. The Group will put forth even greater efforts to develop and introduce new scooter models, like the man scooters series, targeting different consumer market segments in order to broaden our product portfolio and strengthen market penetration. 3 new motorbike models will be introduced in the second half of 2009.

The Group is also actively exploring the development of new models with a strategy of marketing and promoting the broader application and environmental friendly attributes of our scooters and cubs. To this end, the Group intends to introduce more high value-added products to widen our profit margins and increase long-term profitability and returns going forward.

Entering into the second half of the year, the Group's management believes that leveraging on its solid fundamentals and competitive strengths will put the company in a stronger position to capture future opportunities for growth once the current global downturn has ended.

APPLICATION OF IPO PROCEEDS

The proceeds from the IPO of the Company in December 2007, net of listing expenses, amounted to US$76.7 million. As at 30 June 2009, such net proceeds were utilized in the following manner:

	Per Prospectus *US$' million*	**Amount Utilized** *US$' million*	**Balances as at 30 June 2009** *US$' million*
Construction of research and development centre in Vietnam	15.0	7.5	7.5
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	–	46.0
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	15.9	60.8

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

ADDITIONAL INFORMATION

SHARE OPTION SCHEMES

Pursuant to the written resolutions of the Shareholders passed on 24 November 2007, the Board, at its discretion, may grant options to any directors, executives, employees and any other persons who have contributed or will contribute to the Group.

During the six months ended 30 June 2009, share options were granted to eligible full-time employees and qualified participants pursuant to the terms of the Share Option Scheme. Details of such grant of share options are as follows:

	Number of share options				
	Outstanding at 1 January 2009	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 2009**
Directors:					
Mr. Chang Kwang Hsiung	498,000	–	–	–	498,000
Mr. Chen Pang Hsiung	498,000	–	–	–	498,000
Mr. Lee Hsi Chun	398,000	–	–	–	398,000
Mr. Wang Ching Tung	398,000	–	–	–	398,000
Mr. Huang Kwang Wuu	498,000	–	–	–	498,000
Mr. Liu Wu Hsiung Harrison	413,000	–	–	–	413,000
	2,703,000	–	–	–	2,703,000
Employees	8,061,000	–	–	(1,393,000)	6,668,000
Sub-total	10,764,000	–	–	(1,393,000)	9,371,000
Other qualified participants	7,892,000	–	–	(332,000)	7,560,000
Total	18,656,000	–	–	(1,725,000)	16,931,000

The share options to subscribe for 20,000,000 ordinary shares of the Company in aggregate were granted on 4 February 2008. The fair value of options granted is approximately at an average of HK$0.88 per share on the basis of the binominal model. The significant inputs into the model were the closing price of the shares of the Company at the date of grant of HK$2.9 per share, the annual risk-free interest rate of approximately 2.6%, an expected option life of approximately five years, expected volatility of 55% and an annual dividend yield of 7%. The amortised fair value of the share options for the six months ended 30 June 2009 amounting to approximately US$0.2 million (2008: US$0.7 million) was charged to the income statement.

The options are exercisable from 4 August 2008 to 3 August 2013 (both days inclusive) up to 100% of the options at an exercise price of HK$2.9 per share. The closing price of the shares of the Company immediately before the date of grant was HK$2.9 per share.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2009, the interests or short positions of the Company's Directors, chief executives and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

Long position in ordinary shares and underlying shares of the Company

Name of Director	Capacity	Nature of interest	Number of ordinary shares of the Company held	Interests in underlying shares of the Company pursuant to share options	Approximate percentage of the Company's total issued share capital
Mr. Chang Kwang Hsiung	Beneficial owner	Personal	50,000	498,000	0.06%

Save as disclosed above, as at 30 June 2009, none of the Company's Directors, chief executive and their associates (including their spouse and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the six months ended 30 June 2009 were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, granted to any Directors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies a party to any arrangement to enable the Directors to acquire such benefits through such means.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As far as the directors of the Company are aware, as at 30 June 2009, the following persons (who are not Directors) had interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number and class of securities	Approximate percentage of interest in the Company
SY International Ltd ("SYI") *(Note 1)*	Corporate interest	657,083,000 Shares	72.39%
Sanyang Industry Co., Ltd ("Sanyang") *(Note 1)*	Interest in a controlled corporation	657,083,000 Shares	72.39%

Note:

(1) SYI is a direct wholly-owned subsidiary of Sanyang and therefore, Sanyang is deemed or taken to be interested in the shares of the Company held by SYI for the purposes of the SFO.

Save as disclosed above, as at 30 June 2009, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2009, the Group had no material acquisition or disposal of subsidiaries and associated companies.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2009.

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 of the Company. Having made specific enquiry, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2009, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The interim results for the six months ended 30 June 2009 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.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2009. Accordingly, no closure of the Register of Members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 2009 interim report 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, 18 August 2009

As at the date of this report, the directors (the "Directors") of the Company comprised four executive Directors, namely Mr. Chang Kwang Hsiung, Mr. Chen Pang Hsiung, Mr. Lee Hsi Chun and Mr. Wang Ching Tung, two non-executive Directors, namely Mr. Huang Kwang Wuu and Mr. Liu Wu Hsiung Harrison, and three independent non-executive Directors, namely Mr. Hsu Nai Cheng Simon, Ms. Lin Ching Ching and Mr. Wei Sheng Huang.

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED FOR THE SIX MONTHS ENDED 30 JUNE 2009

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 32 which comprises the consolidated balance sheet of Vietnam Manufacturing and Export Processing (Holdings) Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") as of 30 June 2009, and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 August 2009

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009 – unaudited

	Note	Six months ended 30 June 2009 US$	2008 US$
Revenue	*6(b)*	91,059,053	134,275,121
Cost of sales		(72,435,050)	(98,160,365)
Gross profit		18,624,003	36,114,756
Other income		90,867	359,817
Distribution expenses		(5,686,660)	(8,462,129)
Technology transfer fees	*19(a)*	(2,416,395)	(3,334,871)
Administrative expenses		(6,139,804)	(7,396,652)
Other expenses		(221,428)	(18,201)
Results from operating activities		4,250,583	17,262,720
Finance income		1,965,019	5,223,460
Finance expenses		(981,335)	(3,629,291)
Net finance income	*7(a)*	983,684	1,594,169
Share of profits of an equity accounted investee		57,104	64,605
Profit before income tax	*7*	5,291,371	18,921,494
Income tax expense	*8*	(1,244,697)	(2,423,039)
Profit for the period		4,046,674	16,498,455
Attributable to:			
Equity holders of the Company		4,046,674	16,462,398
Minority interests		–	36,057
Profit for the period		4,046,674	16,498,455
Earnings per share			
– basic	*10*	0.004	0.018
– diluted	*10*	0.004	0.018

The notes on pages 18 to 32 form part of the interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009 – unaudited

	Note	Six months ended 30 June 2009 US$	Six months ended 30 June 2008 US$
Profit for the period		**4,046,674**	16,498,455
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(975,276)**	(1,888,261)
Available-for-sale financial asset: changes in fair value recognised during the period		**–**	(1,362,000)
		(975,276)	(3,250,261)
Total comprehensive income for the period		**3,071,398**	13,248,194
Attributable to:			
Equity holders of the Company		**3,071,398**	13,212,137
Minority interests		**–**	36,057
Total comprehensive income for the period		**3,071,398**	13,248,194

The notes on pages 18 to 32 form part of the interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2009 – unaudited

	Note	At 30 June 2009 US$	At 31 December 2008 US$
Non-current assets			
Property, plant and equipment	11	41,907,985	41,327,729
Intangible assets		138,330	185,779
Lease prepayments		3,024,682	3,135,565
Goodwill		8,751	8,751
Investment in an equity accounted investee		830,871	773,767
Time deposit	12	3,000,000	–
Deferred tax assets		1,239,446	1,129,035
		50,150,065	46,560,626
Current assets			
Inventories		25,672,816	33,654,233
Trade receivables, other receivables and prepayments	13	16,897,200	19,046,202
Income tax recoverable		–	866,615
Available-for-sale financial assets	14	24,835,311	75,558,351
Pledged bank deposits	15	5,415,960	7,916,395
Time deposits maturing after three months		38,831,875	4,902,562
Cash and cash equivalents		46,128,299	47,439,732
		157,781,461	189,384,090
Total assets		207,931,526	235,944,716
Current liabilities			
Trade and other payables	16	25,924,437	22,281,596
Interest-bearing borrowings	17	7,068,363	39,794,029
Income tax payables		618,024	33,409
Provisions		1,369,767	1,786,124
		34,980,591	63,895,158
Net current assets		122,800,870	125,488,932
Total assets less current liabilities		172,950,935	172,049,558
Non-current liabilities			
Interest-bearing borrowings	17	31,941	44,703
		31,941	44,703
Net assets		172,918,994	172,004,855

CONSOLIDATED BALANCE SHEET *(Continued)*

At 30 June 2009 – unaudited

	Note	**At 30 June 2009** *US$*	At 31 December 2008 *US$*
Equity			
Paid-in capital		**1,162,872**	1,162,872
Reserves		**171,756,122**	170,841,983
Total equity attributable to equity holders of the Company		**172,918,994**	172,004,855
Total liabilities and equity		**207,931,526**	235,944,716

Approved and authorised for issue by the Board of Directors on 18 August 2009.

Director *Director*

CHEN PANG HSIUNG **LEE HSI CHUN**

The notes on pages 18 to 32 form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 – unaudited

	Attributable to equity shareholders of the Company								
	Paid-in capital *US$*	Share premium *US$*	Capital reserve *US$*	Exchange reserve *US$*	Available-for-sale reserve *US$*	Retained profits *US$*	Total *US$*	Minority interests *US$*	Total equity *US$*
At 1 January 2008	1,162,872	131,981,478	–	(694,910)	–	57,119,428	189,568,868	465,990	190,034,858
Dividends *(Note 9(b))*	–	(19,782,769)	–	–	–	–	(19,782,769)	–	(19,782,769)
Equity-settled share-based payment	–	–	717,903	–	–	–	717,903	–	717,903
Acquisition of minority interests	–	–	–	–	–	37,047	37,047	(502,047)	(465,000)
Total comprehensive income for the period	–	–	–	(1,888,261)	(1,362,000)	16,462,398	13,212,137	36,057	13,248,194
At 30 June 2008	1,162,872	112,198,709	717,903	(2,583,171)	(1,362,000)	73,618,873	183,753,186	–	183,753,186

	Attributable to equity shareholders of the Company								
	Paid-in capital *US$*	Share premium *US$*	Capital reserve *US$*	Exchange reserve *US$*	Statutory reserve *US$*	Retained profits *US$*	Total *US$*	Minority interests *US$*	Total equity *US$*
At 1 January 2009	1,162,872	112,198,709	1,274,141	(7,748,116)	505	65,116,744	172,004,855	–	172,004,855
Dividends *(Note 9(b))*	–	–	–	–	–	(2,399,050)	(2,399,050)	–	(2,399,050)
Equity-settled share-based payment	–	–	241,791	–	–	–	241,791	–	241,791
Total comprehensive income for the period	–	–	–	(975,276)	–	4,046,674	3,071,398	–	3,071,398
At 30 June 2009	1,162,872	112,198,709	1,515,932	(8,723,392)	505	66,764,368	172,918,994	–	172,918,994

The notes on pages 18 to 32 form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009 – unaudited

	Six months ended 30 June	
	2009	2008
	US$	*US$*
Cash generated from operations	**20,236,358**	11,003,618
Corporate income tax paid	**(54,282)**	(2,600,462)
Net cash from operating activities	**20,182,076**	8,403,156
Net cash from/(used in) investing activities*	**11,618,120**	(62,842,838)
Net cash used in financing activities	**(32,574,723)**	(23,077,503)
Net decrease in cash and cash equivalents	**(774,527)**	(77,517,185)
Cash and cash equivalents at the beginning of the period	**47,439,732**	125,696,749
Effect of foreign exchange rates changes	**(536,906)**	–
Cash and cash equivalents at the end of the period	**46,128,299**	48,179,564

* *Included in net cash from investing activities during the period are acquisitions and disposals of available-for-sale financial assets of United State Dollar ("US$") 20,431,976 (six months ended 30 June 2008: US$73,000,000) and US$71,155,016 (six months ended 30 June 2008: US$4,900,000), respectively.*

The notes on pages 18 to 32 form part of the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. REPORTING CORPORATE INFORMATION

Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 20 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries (collectively, the "Group") are principally engaged in manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 20 December 2007.

2. BASIS OF PREPARATION

The Company has a financial year end date of 31 December. This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The interim financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets.

The interim financial report for the six months ended 30 June 2009 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 18 August 2009. The interim financial report has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the Board of Directors is included on page 11.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statement for the year ended 31 December 2008 is available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2009.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following of these developments are relevant to the Group's financial statements:

- IFRIC 13, *Customer loyalty programmes*
- IFRS 8, *Operating segments*
- Revised IAS 1, *Presentation of financial statements*
- Revised IAS 23, *Borrowing costs*
- Amendment to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendment to IFRS 2, *Share-based payment – Vesting conditions and cancellations*
- Amendment to IFRS 7, *Financial instruments: Disclosures – Improving disclosures about financial instruments*
- Improvements to IFRSs (2008)

The Revised IAS 23 and amendment to IFRS 2 have had no material impact on the Group's financial statements as the revision and amendment were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments is as follows:

- IFRIC 13 addresses the accounting by entities that provide their customers with incentives to buy their goods or services by providing award credits as part of sales transactions. IFRIC 13 requires part of the consideration receivable on the initial sales transaction to be allocated to the award credits. These award credits will be recognised as revenue as and when the award credits are being redeemed by customers.

  The Group includes service and oil change coupons in their sales of motorbikes to customers and these service and oil change coupons fall under the scope of IFRIC 13. The adoption of IFRIC 13 has no significant impact on reported profit or loss, total income and expenses or net assets for any period presented.

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see Note 6). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of Revised IAS 1, details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendment to IAS 27 has removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investee, rather than as income. Consequently, as a result, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments have not resulted any significant changes to the Group's accounting policies.

4. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared on the same accounting policies adopted in the 2008 annual financial statement except for accounting policy changes set out in Note 3, and should be read in conjunction with the 2008 annual financial statements.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 and in any future periods affected.

In preparing the interim financial report, the significant judgment made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to and are disclosed in the 2008 annual financial statements

6. 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. On first-time adoption of IFRS 8, Operating segments and 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 identified the following three reportable segments. No operating segments have been aggregated to form the following 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 consisting of Malaysia, Philippines, Brunei and Singapore.

- Manufacture and sales of spare parts and engines: the Group manufacture 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.

- Mould and repair service: 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

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, 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, available-for-sale financial assets, pledged bank deposits, 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.

	Six months ended and as at 30 June 2009			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Group** *US$*
Revenue from external customers	78,964,515	11,965,695	128,843	91,059,053
Inter-segment revenue	–	32,894,586	1,076,346	33,970,932
Reportable segment revenue	78,964,515	44,860,281	1,205,189	125,029,985
Reportable segment profits (Adjusted EBIT)	1,706,298	3,373,583	327,758	5,407,639
Reportable segment assets	54,460,779	34,344,724	1,818,804	90,624,307
Reportable segment liabilities	19,515,385	9,664,429	593,840	29,773,654

	Six months ended 30 June 2008			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Group** *US$*
Revenue from external customers	118,638,380	15,465,609	171,132	134,275,121
Inter-segment revenue	–	45,005,282	781,326	45,786,608
Reportable segment revenue	118,638,380	60,470,891	952,458	180,061,729
Reportable segment profits (Adjusted EBIT)	11,715,011	7,969,398	149,097	19,833,506

	At 31 December 2008			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Group** *US$*
Reportable segment assets	61,885,299	32,804,765	1,862,084	96,552,148
Reportable segment liabilities	14,973,766	7,830,664	267,843	23,072,273

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

	Six months ended 30 June 2009 US$	Six months ended 30 June 2008 US$
Revenue		
Reportable segment revenue	125,029,985	180,061,729
Elimination of inter-segment revenue	(33,970,932)	(45,786,608)
Consolidated revenue	91,059,053	134,275,121

	Six months ended 30 June 2009 US$	Six months ended 30 June 2008 US$
Profit		
Reportable segment profit	5,407,639	19,833,506
Elimination of inter-segment profits	–	(97,781)
Reportable segment profit derived from Group's external customers	5,407,639	19,735,725
Net finance income	983,684	1,594,169
Share of profits of an equity accounted investee	57,104	64,605
Unallocated corporate expenses	(1,157,056)	(2,473,005)
Consolidated profit before income tax	5,291,371	18,921,494

	At 30 June 2009 US$	At 31 December 2008 US$
Assets		
Reportable segment assets	90,624,307	96,552,148
Elimination of inter-segment receivables	(2,787,398)	(1,533,195)
	87,836,909	95,018,953
Investment in an equity accounted investee	830,871	773,767
Available-for-sale financial assets	24,835,311	75,558,351
Pledged bank deposits	5,415,960	7,916,395
Time deposits maturing after three months		
– non-current	3,000,000	–
– current	38,831,875	4,902,562
Cash and cash equivalents	46,128,299	47,439,732
Unallocated corporate assets	1,052,301	4,334,956
Consolidated total assets	207,931,526	235,944,716

	At 30 June 2009 US$	At 31 December 2008 US$
Liabilities		
Reportable segment liabilities	29,773,654	23,072,273
Elimination of inter-segment payables	(2,700,335)	(763,340)
	27,073,319	22,308,933
Interest-bearing borrowings	7,100,304	39,838,732
Income tax payables	618,024	33,409
Unallocated corporate liabilities	220,885	1,758,787
Consolidated total liabilities	35,012,532	63,939,861

7. PROFIT BEFORE INCOME TAX

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

(a) Finance income and expense

	Six months ended 30 June 2009 US$	2008 US$
Interest income from banks	1,793,848	3,769,398
Interest income from available-for-sale financial assets	171,171	1,454,062
Finance income	1,965,019	5,223,460
Interest paid and payable to banks	(182,394)	(345,983)
Net foreign exchange losses	(798,941)	(3,283,308)
Finance expense	(981,335)	(3,629,291)
Net finance income	983,684	1,594,169

(b) Staff cost

	Six months ended 30 June 2009 US$	2008 US$
Wages and salaries	3,526,177	4,314,975
Staff welfare	1,186,384	1,288,897
Equity settled share-based payment expenses	133,827	430,132
Contributions to defined contribution plan	258,584	282,009
Severance allowance	197,746	268,521
Total	5,302,718	6,584,534

(c) Other items

	Six months ended 30 June 2009 US$	2008 US$
Amortisation of lease prepayments/intangible assets	**127,655**	265,072
Depreciation of property, plant and equipment	**3,514,880**	3,452,188
Equity settled share-based payment expenses – employees of the ultimate holding company	**107,964**	287,771
Loss/(Gain) on disposal of property, plant and equipment (net)	**101,198**	(2,374)
Research and development expenses	**3,622,041**	3,480,764
Write down of inventories	**644,441**	–

8. INCOME TAX EXPENSE

Recognised in the income statement

	Six months ended 30 June 2009 US$	2008 US$
Current tax expenses		
– current tax	**1,450,356**	2,160,919
– (over)/under provision in prior period	**(52,089)**	250,048
Deferred tax expense		
– origination and reversal of temporary differences	**(153,570)**	12,072
	1,244,697	2,423,039

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 six months ended 30 June 2009.

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 Vietnam Manufacturing and Export Processing Co., Limited ("VMEP") is calculated at 18% of the profits from manufacturing and sales of motorbikes, spare parts and services rendered. Although the applicable tax rate for profits from assembling and sales of engines is 10%, pursuant to the Law of Foreign Investment of 1996, as amended in 2000 in Vietnam, such business is entitled to a tax holiday of a tax free period for 8 years from 2001 to 2008.

In 2005, VMEP obtained a license for truck business from local government authorities. As VMEP has not commenced the truck business since obtaining its business license, there were no profits/losses arising from this business during the years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009. Profits from assembly and production of trucks, engines, components and spare parts for trucks are subject to corporate income tax at 15% for 12 years from the commencement of such activities and 28% for subsequent years. In addition, VMEP is entitled to a tax holiday on profits from such activities of a tax-free period for 3 years from the first profit making year and a 50% reduction of the applicable income tax rate for the following 7 years.

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 C.Q.S. Molds Inc. ("C.Q.S.") is 15% for the first 5 years starting from the first year of operation, 20% for the next 6 years (2007 to 2012) and 28% for subsequent years. C.Q.S. is entitled to a tax holiday of a tax-free period for 2 years from 2004 to 2005 and is subject to CIT at 50% of the applicable income tax rate for 2006.

In accordance with the Corporate Income Tax Law of Taiwan, the applicable tax rate for Chin Zong Trading Co., Ltd. is 15% for the amount of net profit below New Taiwan Dollar ("NT$") 100,000, and 25% for the amount of net profit at or above NT$100,000.

In accordance with the Income Tax Law of Indonesia, the applicable tax rate for PT Sanyang Industri Indonesia is 10% for the amount of net profit below Indonesia Rupiah ("IDR") 50 million, and 15% and 30% for the amount of net profit at or above IDR 50 million and IDR100 million, respectively.

9. DIVIDENDS

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

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2009 (2008: US$Nil).

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

	2009 ***US$***	2008 *US$*
Interim dividend in respect of the previous period, declared and paid during the period of US$0.0026 per ordinary share (2008: US$0.0218)	**2,399,050**	19,782,769

10. 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$4,046,674 (six months ended 30 June 2008: US$16,462,398) and 907,680,000 ordinary shares (six months ended 30 June 2008: 907,680,000 ordinary shares) in issue during the interim period.

Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2009 and 2008 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

The additions, disposals and the effect of movements in exchange rate of the items of property, plant and equipment during the six months ended 30 June 2009 are as follows:

	Six months ended 30 June	
	2009 ***US$***	2008 *US$*
Additions	**4,457,436**	6,361,545
Disposals (net carrying amount)	**(132,636)**	(36,313)
Effect of movements in exchange rate	**(229,664)**	(2,013,225)

12. TIME DEPOSIT

The time deposit was denominated in US$ with original maturity of two years when acquired. The carrying amount of the time deposit approximated to its fair value.

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2009 US$	At 31 December 2008 US$
Trade receivables	3,495,082	5,357,300
Non-trade receivable	2,912,677	3,664,225
Prepayments	9,481,915	8,534,211
Amounts due from related parties *(Note 19(c))*	1,007,526	1,490,466
	16,897,200	19,046,202

The Group's exposure to credit risk is minimal as the Group generally offers no credit terms to domestic customers, which accounted for approximately 89% (six months ended 30 June 2008: 93%) of total customers for the six-month period ended 30 June 2009. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

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

	At 30 June 2009 US$	At 31 December 2008 US$
Within three months	4,100,449	6,057,660
More than three months but within one year	53,145	511,559
	4,153,594	6,569,219

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets are in respect of the following:

	At 30 June 2009 US$	At 31 December 2008 US$
Assets-backed securities *(Note 14(i))*	–	68,100,000
Mutual funds *(Note 14(ii))*	24,835,311	7,458,351
	24,835,311	75,558,351

(i) Assets-backed securities

On 5 January 2009, the Group disposed of its entire investment in Assets-Backed Securities ("ABS") totalling US$ 68,100,000 to an investment bank, through which the Group acquired the ABS in early 2008. There is no gain or loss arising from the disposal.

(ii) Mutual funds

The credit ratings of the mutual funds were AAAm*. The portfolio of the mutual funds' assets comprise commercial paper, certificates of deposit, agency notes and bonds, time deposits and repurchase orders, and floating rate notes.

The fund issuer is an open-ended investment company which is listed on the Irish Stock Exchange. Details of the funds held by the Group are as follows:

Fund issuer	**At 30 June 2009 *US$***	At 31 December 2008 *US$*
Institutional Cash Series Plc.		
– Institutional US Dollar Liquidity Fund denominated in US$	**24,835,311**	7,403,365
– Institutional Euro Liquidity Fund denominated in Euro	**–**	54,986
At fair value	**24,835,311**	7,458,351

The Group follows the guidance of IAS 39, *Financial Instruments: Recognition and Measurement,* when determining whether an investment in available-for-sale financial assets is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, and the expected time span the Group will hold on to this investment.

* *The credit ratings are based on rating agency, Standard and Poors' rating.*

15. PLEDGED BANK DEPOSITS

	At 30 June 2009 *US$*	At 31 December 2008 *US$*
Pledged bank deposits		
– denominated in Vietnam Dong	**5,415,960**	7,851,995
– denominated in US$	**–**	64,400
	5,415,960	7,916,395

Bank deposits have been pledged to banks as security for certain banking facilities of the Group.

16. TRADE AND OTHER PAYABLES

	At 30 June 2009 US$	At 31 December 2008 US$
Trade payables	10,940,201	8,878,956
Other payables and accrued operating expenses	7,330,521	6,978,450
Advances from customers	1,577,435	2,576,120
Amounts due to related parties *(Note 19(d))*	6,076,280	3,848,070
	25,924,437	22,281,596

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

	At 30 June 2009 US$	At 31 December 2008 US$
Within three months	15,916,353	9,745,234
More than three months but within one year	269,669	2,677,091
More than one year but within five years	166,306	304,701
	16,352,328	12,727,026

17. INTEREST-BEARING BORROWINGS

	At 30 June 2009 US$	At 31 December 2008 US$
Current	7,068,363	39,794,029
Non-current	31,941	44,703
	7,100,304	39,838,732

Movements in interest-bearing borrowings were as follows:

	Six months ended 30 June 2009 US$	2008 US$
At the beginning of the period	39,838,732	13,495,749
Proceeds from borrowings	4,201,801	21,270,416
Repayment of borrowings	(36,759,772)	–
Effect of movements in exchange rate	(180,457)	–
At the end of the period	7,100,304	34,766,165

18. CONTINGENT ASSET/LIABILITY

Contingent asset

In September 2008, a fire broke out in one of VMEP's factories and resulted in losses to the Group's inventories and property, plant and equipment. The Group submitted an insurance claim of approximately US$3 million in September 2008 for the losses. As at the date of issue of this interim financial report, the Group has not received a written confirmation from the insurance company as to agreement to the claim and therefore no asset is recognised in respect of this insurance claim as at 31 December 2008 and 30 June 2009.

Contingent liability

In 2008, the Vietnam Ministry of Finance applied in practice for the first time specific provisions of Circular 40/2008/TT-BTC ("Circular 40") which provides guidelines on customs valuation of import and export goods for customs duty purposes. Under Circular 40, companies that import goods and pay royalties and license fees related to the goods being imported that have to be paid as a condition of sale of the goods being valued, to the extent that such royalty and license fee are not included in the price of the imported goods may be required to add the royalty and licensing fee payments to the customs value of the imported goods for customs duty purposes.

The impact of the application of Circular 40 on VMEP is still uncertain in view of the various interpretations of this new circular as well as the lack of authoritative precedents in the application of this regulation.

While VMEP has to pay royalty fees on the sale of SYM branded motorbikes, it believes that no further liabilities should arise under Circular 40 as the payment of royalty is not directly related to, nor is it a condition of, the imports of the knock down parts. Up to the date of issue of this interim financial report, the Group has not received any correspondence from relevant authority to dispute the basis of calculating the custom value of the imported goods for customs duty purposes.

19. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2009, transactions with the following parties are considered as related party transactions:

Name of party	Relationship
Sanyang Industry Co., Ltd. ("Sanyang")	The ultimate holding company
Xia Shing Xiamen Motorcycle Co., Ltd.	Effectively controlled by Sanyang, the controlling equity holder of the Group
Teamworld Industries Corporation	Effectively controlled by the Huang Family, the single largest equity holder of Sanyang
Quingzhou Engineering Industry Co., Ltd.	Effectively controlled by Sanyang, the controlling equity holder of the Group
Chinfon Commercial Bank	Effectively controlled by the Huang Family, the single largest equity holder of Sanyang
Vietnam Three Brothers Machinery Industry Co., Limited	The associate of the Company and a non-wholly owned subsidiary of Sanyang
Sanyang Vietnam Automobile Co., Ltd. (formerly known as Sanyang Motor Vietnam Co., Limited)	A subsidiary of SY International Limited, the equity holder of the Company
Sanyang Global Co., Ltd.	Effectively controlled by Sanyang, the controlling equity holder of the Group

(a) Recurring transactions

	Six months ended 30 June 2009 US$	2008 US$
Sales of finished goods or/and spare parts:		
Sanyang Industry Co., Ltd.	674,501	873,160
Xia Shing Xiamen Motorcycle Co., Ltd.	12,591	24,594
Teamworld Industries Corporation	44,772	14,287
PT Sanyang Industri Indonesia	–	39,911
Sanyang Vietnam Automobile Co., Ltd.	–	6,343
	731,864	958,295
Purchases of raw materials or/and finished goods:		
Sanyang Industry Co., Ltd.	4,214,460	11,520,393
Xia Shing Xiamen Motorcycle Co., Ltd.	1,797	1,291,876
Sanyang Global Co., Ltd.	2,706,399	936,013
Vietnam Three Brothers Machinery Industry Co., Limited	1,775,655	2,494,915
Quingzhou Engineering Industry Co., Ltd.	–	324,818
	8,698,311	16,568,015
Technology transfer fees:		
Sanyang Industry Co., Ltd.	2,416,395	3,334,871
Technical consultancy fee:		
Sanyang Industry Co., Ltd.	404,567	33,750

(b) Non-recurring transactions

	Six months ended 30 June 2009 US$	2008 US$
Purchases of property, plant and equipment:		
Sanyang Industry Co., Ltd.	573,219	307,318
Xia Shing Xiamen Motorcycle Co., Ltd.	–	929,116
Vietnam Three Brothers Machinery Industry Co., Limited	–	35,564
	573,219	1,271,998
Interest income:		
Chinfon Commercial Bank	–	30,179

(c) Amount due from related companies

	At 30 June 2009 US$	At 31 December 2008 US$
Trade		
Sanyang Global Co., Ltd.	365,245	440,500
Sanyang Industry Co., Ltd.	285,066	691,596
Sanyang Vietnam Automobile Co., Ltd.	–	6,455
Teamworld Industries Corporation	8,201	–
Vietnam Three Brothers Machinery Industry Co., Ltd.	–	10,193
Xia Shing Xiamen Motorcycle Co., Ltd.	–	63,175
Sub-total	658,512	1,211,919
Non-trade		
Sanyang Global Co., Ltd.	88,666	–
Sanyang Industry Co., Ltd.	6,838	–
Sanyang Vietnam Automobile Co., Ltd.	251,751	278,467
Vietnam Three Brothers Machinery Industry Co., Ltd.	–	80
Xia Shing Xiamen Motorcycle Co., Ltd.	1,759	–
Sub-total	349,014	278,547
Total	1,007,526	1,490,466

(d) Amount due to related parties

	At 30 June 2009 US$	At 31 December 2008 US$
Trade		
Sanyang Global Co., Ltd.	697,793	500,103
Sanyang Industry Co., Ltd.	4,238,199	3,029,424
Teamworld Industries Corporation	24,973	25,655
Vietnam Three Brothers Machinery Industry Co., Limited	424,471	171,014
Xia Shing Xiamen Motorcycle Co., Ltd.	26,691	121,874
Sub-total	5,412,127	3,848,070
Non-trade		
Sanyang Global Co., Ltd.	138,186	–
Sanyang Industry Co., Ltd.	516,363	–
Vietnam Three Brothers Machinery Industry Co., Limited	9,604	–
Sub-total	664,153	–
Total	6,076,280	3,848,070

20. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the balance sheet date not provided for were as follows:

	At 30 June 2009 US$	At 31 December 2008 US$
Contracted for	3,450,255	5,055,650
Authorised but not contracted for	4,954,348	5,932,589
	8,404,603	10,988,239

The capital commitments contracted for and authorised but not contracted for as at 30 June 2009 were mainly in respect of the construction of a new research and development centre.

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases were payable as follows:

	At 30 June 2009 US$	At 31 December 2008 US$
Within 1 year	384,091	380,675
After 1 year but within 5 years	875,185	851,150
After 5 years	2,558,721	2,647,474
	3,817,997	3,879,299

The leases run for an initial period of one to fifty years.

21. COMPARATIVE FIGURES

As a result of the application of IFRS 8, Operating segments and Revised IAS 1, *Presentation of financial statements,* certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.