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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

Financial Highlights**:**	**Growth**
• Total revenue US$134.3 million	+17%
• Gross profit US$36.1 million	+30%
• Net profit US$16.5 million	+18%
• Earnings of US$0.018 per share	

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Ltd. (the "Company") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 (Unaudited) US$	2007 (Audited) US$
Revenue	2	134,275,121	114,964,647
Cost of sales		(98,160,365)	(87,288,531)
Gross profit		36,114,756	27,676,116
Other income		359,817	274,385
Distribution expenses		(8,462,129)	(7,691,823)
Technology transfer fees		(3,334,871)	(2,530,870)
Administrative expenses		(7,396,652)	(4,560,210)
Other expenses		(18,201)	(10,034)
Results from operating activities		17,262,720	13,157,564
Finance income		5,223,460	2,939,208
Finance expenses		(3,629,291)	(662,449)
Net finance income		1,594,169	2,276,759
Share of profits of an equity accounted investee		64,605	53,192
Profit before income tax	3	18,921,494	15,487,515
Income tax expense	4	(2,423,039)	(1,484,148)
Profit for the period		16,498,455	14,003,367
Attributable to:			
Equity holders of the Company		16,462,398	13,995,715
Minority interests		36,057	7,652
Profit for the period		16,498,455	14,003,367
Dividend payable to equity holders of the Company			
Interim dividend proposed after the balance sheet date		-	33,000,000
Earnings per share	5		
– basic		0.018	0.019
– diluted		0.018	N/A

Consolidated Balance Sheet

At 30 June 2008

	Note	At 30 June 2008 *(Unaudited)* US$	At 31 December 2007 *(Audited)* US$
Assets			
Property, plant and equipment		40,330,626	39,470,807
Intangible assets		258,432	413,889
Lease prepayments		3,291,551	3,536,911
Investment in an equity accounted investee		858,544	793,939
Other non-current assets		-	62,510
Deferred tax assets		291,510	303,582
Total non-current assets		45,030,663	44,581,638
Inventories		36,337,925	40,838,363
Trade receivables, other receivables and prepayments	6	17,523,161	18,566,475
Income tax recoverable		-	3,573
Available-for-sale financial assets	7	66,774,076	-
Pledged bank deposits		34,387,473	9,822,323
Time deposits maturing after three months		6,550,825	13,243,810
Cash and cash equivalents		48,179,564	125,696,749
Total current assets		209,753,024	208,171,293
Total assets		254,783,687	252,752,931
Liabilities			
Trade and other payables	8	33,200,984	45,919,905
Interest-bearing borrowings		34,708,700	13,425,523
Income tax payables		1,162,669	1,355,736
Provisions		1,900,683	1,946,683
Total current liabilities		70,973,036	62,647,847
Net current assets		138,779,988	145,523,446
Total assets less current liabilities		183,810,651	190,105,084
Interest-bearing borrowings		57,465	70,226
Total non-current liabilities		57,465	70,226
Net assets		183,753,186	190,034,858

Consolidated Balance Sheet *(Continued)*
At 30 June 2008

	Note	At 30 June 2008 *(Unaudited)* *US$*	At 31 December 2007 *(Audited)* *US$*
Equity			
Paid-in capital		1,162,872	1,162,872
Reserves		182,590,314	188,405,996
Total equity attributable to equity holders of the Company		183,753,186	189,568,868
Minority interests		-	465,990
Total equity		183,753,186	190,034,858
Total liabilities and equity		254,783,687	252,752,931

Notes: -

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 December. The 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 2007 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 ("IFRSs"). 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 2008 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 20 August 2008. 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.

The interim financial report has been prepared on the same accounting policies adopted in the 2007 annual financial statement and should be read in conjunction with the 2007 annual financial statements.

In the current interim period, the Group has adopted new accounting policies in respect of share-based payment transactions, available-for-sale financial assets and transactions with minority interests.

The consolidated balance sheet, consolidated income statement and the notes from 2 to 8 below are extracted from the interim financial report.

2. REVENUE AND SEGMENT REPORTING

Business segments

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The principal activities of the Group are those relating to manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services. Revenue excludes value added taxes and sales rebates.

	Six months ended 30 June 2008 *(Unaudited)*				
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Inter-segment elimination** *US$*	**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)	-
Total revenue	118,638,380	60,470,891	952,458	(45,786,608)	134,275,121
Segment result	18,322,698,	8,125,842	149,097	(6,861,912)	19,735,725
Unallocated expense					(2,473,005)
Results from operating activities					17,262,720

	Six months ended 30 June 2007 *(Audited)*				
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Inter-segment elimination** *US$*	**Group** *US$*
Revenue from external customers	102,996,167	11,693,312	275,168	-	114,964,647
Inter-segment revenue	-	41,601,415	368,856	(41,970,271)	-
Total revenue	102,996,167	53,294,727	644,024	(41,970,271)	114,964,647
Segment result	12,756,307	5,869,600	26,288	(5,492,780)	13,159,415
Unallocated expense					(1,851)
Results from operating activities					13,157,564

3. 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 2008 (Unaudited) US$	2007 (Audited) US$
Interest income from banks	3,769,398	2,939,208
Interest income from available-for-sale financial assets	1,454,062	-
Finance income	5,223,460	2,939,208
Interest paid and payable to banks	(345,983)	(415,663)
Net foreign exchange losses	(3,283,308)	(246,786)
Finance expense	(3,629,291)	(662,449)
Net finance income	1,594,169	2,276,759

(b) Staff cost

	Six months ended 30 June 2008 (Unaudited) US$	2007 (Audited) US$
Wages and salaries	4,314,975	2,337,029
Staff welfare	1,288,897	1,552,685
Equity settled share-based payment expenses	430,132	-
Contributions to defined contribution plan	282,009	179,982
Severance allowance	268,521	153,558
Total	6,584,534	4,223,254

(c) Other items

	Six months ended 30 June 2008 (Unaudited) US$	2007 (Audited) US$
Amortisation of lease prepayments/intangible assets	265,072	261,299
Depreciation of property, plant and equipment	3,452,188	4,031,410
Equity settled share-based payment expenses	717,903	-
(Gain)/Loss on disposal of property, plant and equipment (net)	(2,374)	6,024
Research and development expenses	3,480,764	2,254,837
Write down of inventories	-	383,739

4. INCOME TAX EXPENSE

Recognised in the income statement

	Six months ended 30 June	
	2008	**2007**
	(Unaudited)	*(Audited)*
	US$	*US$*
Current tax expenses		
– current tax	2,160,919	1,501,826
– under provision in prior period	250,048	33,453
Deferred tax expense		
– origination and reversal of temporary differences	12,072	(51,131)
	2,423,039	1,484,148

The Group is not subject to Hong Kong profits tax and Cayman Islands income tax for the six months ended 30 June 2008 and 2007.

5. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 and 2007 is based on the profit attributable to equity holders of the Company during the above periods of US$16,462,398 (six months ended 30 June 2007: US$13,995,715) and the weighted average of 907,680,000 ordinary shares (six months ended 30 June 2007: 732,000,000 shares after adjusting for the capitalisation issue) in issue during the periods, calculated as follows:

Weighted average number of ordinary shares

	2008	**2007**
Issued ordinary shares at beginning of the period	907,680,000	58,560,000
Effect of capitalisation issue	-	673,440,000
Weighted average number of ordinary shares at end of the period	907,680,000	732,000,000

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 2008 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

There were no dilutive potential shares in existence during the six months ended 30 June 2007 and therefore diluted earnings per share are not presented.

6. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2008 *(Unaudited)* *US$*	At 31 December 2007 *(Audited)* *US$*
Trade receivables	4,449,888	2,539,534
Non-trade receivable	3,090,711	7,575,119
Prepayments	8,313,059	5,250,947
Amounts due from related parties	1,669,503	3,200,875
	17,523,161	18,566,475

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

	At 30 June 2008 *(Unaudited)* *US$*	At 31 December 2007 *(Audited)* *US$*
Within three months	5,132,853	4,632,505
More than three months but within one year	83,874	263,143
More than one year but within five year	13,902	44,778
	5,230,629	4,940,426

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets are in respect of investments in Assets Backed Securities ("ABS") with credit rating of AAA*. The ABS are secured by their respective security issuers' assets, which primarily consist of the student loans originated under the Federal Family Education Loan Program ("FFELP") created under the United States Higher Education Act. The ABS's maturity dates range from 15 March 2028 to 27 January 2042. The interest rate is periodically reset through an auction on every 28 days and settled at the end of each auction period. The available-for-sale financial assets' exposure to financial risk is set out in Note 21.

The security issuers and the amount of the ABS held by the Group are as follows:

Security issuer	At 30 June 2008 *(Unaudited)* *US$*	At 31 December 2007 *US$*
SLM Student Loan Trust ("SSLT') 2002-7	26,967,765	-
SSLT 2003-2	20,008,846	-
SSLT 2006-7	20,008,846	-
Access Group, Inc.	1,150,619	-
At cost	68,136,076#	-
Less: cumulative change in fair value	(1,362,000)	-
At fair value	66,774,076#	-

The ABS are denominated in US$ and bear interest rates ranging from 2.77% to 3.98% as at 30 June 2008.

The Group follows the guidance of IAS 39, Financial Instruments: Recognition and Measurement, when determining whether an investment in available-for-sale financial asset 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 Poor's rating.*
\# *Including an accrued interest of US$36,076.*

8. TRADE AND OTHER PAYABLES

	At 30 June 2008 (Unaudited) US$	At 31 December 2007 (Audited) US$
Trade payables	12,825,794	18,045,969
Other payables and accrued operating expenses	9,124,738	14,087,056
Advances from customers	2,550,443	4,313,555
Amounts due to related parties	8,700,009	9,473,325
	33,200,984	45,919,905

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

	At 30 June 2008 (Unaudited) US$	At 31 December 2007 (Audited) US$
Within three months	19,804,668	24,741,291
More than three months but within one year	1,258,195	2,553,441
More than one year but within five years	215,609	224,562
	21,278,472	27,519,294

MANAGEMENT DISCUSSION & ANALYSIS

The Group is one of the leading manufacturers of scooter and cub motorbikes in Vietnam and currently ranks third amongst the principal foreign-owned motorbike manufacturers in terms of sales. The Group also produces motorbike engines and parts for internal use and for sale to overseas customers, and sells and provides services in respect of moulds for making die-cast and forged metal parts.

The Company completed an initial public offering ("IPO") of its shares and became a company listed on the main board of the Stock Exchange of Hong Kong Limited on 20 December 2007.

Business and Financial Review

Despite the increase in the overall Consumer Price Index (CPI) of Vietnam to a high level of 26% in the first half of 2008, the Vietnamese motorbike market reported a double-digit percentage growth. Under the macro-economic inflation, the Group achieved a satisfactory result by the persistent improvement in its operations and stringent control over its costs. Profit attributable to equity holders of the Company increased by 18% to US$16.5 million for the six months ended 30 June 2008 as compared with US$14.0 million for the corresponding period in the immediately preceding financial year.

Revenue

Revenue of the Group for the six months ended 30 June 2008 increased by US$19.3 million or 17%, to US$134.3 million from US$115.0 million for the corresponding period in the immediately preceding financial year. All the business segments of the Group demonstrated robust growth trends. In particular, domestic sales quantities of scooters increased by 27% for the six months ended 30 June 2008 as compared with the corresponding period in the immediately preceding financial year, while overall sales quantities increased by 11% for the same comparative period. The increase in revenue was mainly attributable to the increase in sales volume of scooters in particular the Attila series.

Cost Of Sales

The Group's cost of sales increased by 12%, from US$87.3 million for the corresponding period in the immediately preceding financial year to US$98.2 million for the six months ended 30 June 2008. This increase was primarily due to higher sales volumes, but was partly offset by stringent control over costs through increasing local components usage and persistent product cost enhancements. As a percentage of total revenue, the Group's cost of sales decreased from 76% for the corresponding period in the immediately preceding financial year to 73% in the six months ended 30 June 2008.

Gross Profit and Gross Profit Margin

As a result of the factors discussed above, the gross profit of the Group increased by 30%, from US$27.7 million for the same period last year to US$36.1 million for the six months ended 30 June 2008. During the comparative period and the six months ended 30 June 2008, the Group's gross profit margin increased from 24% to 27%, mainly due to the contribution from sales of higher margin scooters as compared to cubs with relatively low margins.

Distribution Expenses

The Group's distribution expenses increased by 10%, from US$7.7 million for the corresponding period in the immediately preceding financial year to US$8.5 million for the six months ended 30 June 2008. This increase was largely due to : (i) an increase in advertising and marketing fees for enhancement of brand image; and (ii) higher sales incentives and supporting fees to distributors to organize marketing activities and the renovation of flagship stores.

Technology Transfer Fees

The technology transfer fees increased by 32%, from US$2.5 million for the corresponding period in the immediately preceding financial year to US$3.3 million for the six months ended 30 June 2008. This rise was largely the result of an increase in the sales volume of SYM-branded motorbikes and related parts.

Administrative Expenses

The Group's administrative expenses increased by 62%, from US$4.6 million for the corresponding period in the immediately preceding financial year to US$7.4 million for the six months ended 30 June 2008, principally as a consequence of an increase in : (i) salary expenses in connection with a surge in staff costs in the market; (ii) equity settled share-based payment expenses attributable to the revaluation of granted share options; and (iii) withholding taxes in connection with the technology transfer fees. For the six months ended 30 June 2008, administrative expenses as a percentage of revenue was 6%.

Profit From Operating Activities
As a result of the factors discussed above, the Group's profit from operating activities increased by 31%, from US$13.2 million for the corresponding period in the immediately preceding financial year to US$17.3 million for the six months ended 30 June 2008.

Net Finance Income
The Group's net finance income decreased by 30%, from US$2.3 million for the corresponding period in the immediately preceding financial year to US$1.6 million for the six months ended 30 June 2008. This decrease was mainly attributable to an increase in exchange losses for the six months ended 30 June 2008 compared with the corresponding period in the immediately preceding financial year as the exchange rate of the Vietnam Dong against the US dollar has been decreasing during the year. However, this was partly offset by an increase in interest income and a decrease in interest expenses.

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, increased by 18%, from US$14.0 million for the corresponding period in the immediately preceding financial year to US$16.5 million for the six months ended 30 June 2008, and the Group's net profit margin was maintained at 12.2% for both periods.

Liquidity and Financial Resources
As at 30 June 2008, the Group's net current assets was approximately US$138.8 million (31 December 2007: US$145.5 million) which consisted of current assets amounting to approximately US$209.8 million (31 December 2007: US$208.2 million) and current liabilities amounting to approximately US$71.0 million (31 December 2007: US$62.6 million).

As at 30 June 2008, the interest-bearing borrowings repayable within one year was approximately US$34.7 million (31 December 2007: US$13.4 million). As at 30 June 2008, the Group had interest-bearing borrowings repayable beyond one year amounting to US$0.06 million (31 December 2007: US$0.07 million).

As at 30 June 2008, the cash and bank balances (including pledged bank deposits) amounted to approximately US$89.1 million (31 December 2007: US$148.8 million). The Group has also placed a majority of the net proceeds from the initial public offering of the shares of the Company into available-for-sale financial assets with a reputable financial institution amounting to US$68.1 million (31 December 2007: US$Nil).

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

Capital Commitments and Contingent Liabilities
As at 30 June 2008, the capital commitments of the Group were approximately US$12.3 million (31 December 2007: US$13.2 million), which will all be paid off using the net proceeds from the initial public offering of the shares of the Company and cash generated from the Group's operations within 3 years. Save for the above, the Group had no significant contingent liabilities.

Pledge of Assets
As at 30 June 2008, cash at bank amounting to approximately US$34.4 million (31 December 2007: US$9.8 million) was pledged with banks as security for certain banking facilities.

Human Resources and Remuneration Policies

The Group offers competitive remuneration packages to its employees in Vietnam, Taiwan and Hong Kong, including quality staff quarters, training and development opportunities, medical benefits, insurance coverage and retirement benefits in order to attract, retain and motivate employees. As at 30 June 2008, the Group had 2,161 employees (as at 30 June 2007: 1,799). The total salaries and related cost for the six months ended 30 June 2008 amounted to approximately US$6.6 million (six months ended 30 June 2007: US$4.2 million).

Prospects

Looking forward ahead to the second half of 2008, the inflation pressure and macro-economic environment of Vietnam will continue to affect the Group's business environment. However, the steady growth of spending power and living standards of Vietnamese will boost the domestic demand for motorbikes.

The Group will aim at consolidating its leading position in the motorbike manufacturing industry and strengthening its business growth. In order to achieve this goal, the Group will continue to increase its investment in research and development, improve cost control, expand the distribution network in both Vietnam and overseas and consolidate its brand image to enhance the value of its products.

The management of the Group is confident that its business will continue to grow in the foreseeable future and generate good returns to the shareholders (the "Shareholders") of the Company.

CORPORATE GOVERNANCE PRACTICES

In the directors (the "Directors") of the Company's opinion, 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 2008.

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 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 six months ended 30 June 2008.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The interim results for the six months ended 30 June 2008 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 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2008, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

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 interim report for the six months ended 30 June 2008 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, suppliers and customers for their unfaltering 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, 20 August 2008

As at the date of this announcement, the Directors 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.