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 2011

Financial Highlights :	**(expressed in US$'million)**		
	Six months ended 30 June		
	2011	**2010**	**change**
• Total revenue	143.8	112.7	+28%
• Gross profit	27.3	27.4	- 1%
• Net profit after tax	12.5	11.2	+11%
• Earnings per share *(US$)*	0.014	0.012	+11%

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (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 2011 together with the comparative figures for the immediately preceding financial year.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 - unaudited

	Note	Six months ended 30 June 2011 US$	2010 US$
Revenue	2	143,771,172	112,727,842
Cost of sales		(116,495,582)	(85,281,211)
Gross profit		27,275,590	27,446,631
Other income		275,130	1,200,391
Distribution expenses		(7,433,474)	(6,376,761)
Technology transfer fees		(3,813,129)	(3,084,886)
Administrative expenses		(6,051,622)	(6,759,556)
Other expenses		(126,844)	(594,848)
Results from operating activities		10,125,651	11,830,971
Finance income		5,426,277	3,245,308
Finance expenses		(17,540)	(1,007,429)
Net finance income	**3** (a)	5,408,737	2,237,879
Share of profits of an equity accounted investee		234,171	169,681
Profit before income tax	**3**	15,768,559	14,238,531
Income tax expense	4	(3,280,007)	(3,028,902)
Profit for the period		12,488,552	11,209,629
Other comprehensive income for the period:			
Exchange differences on translation of financial statements of overseas subsidiaries		(6,670,308)	(3,345,557)
Total comprehensive income for the period attributable to Equity holders of the Company		5,818,244	7,864,072
Earnings per share			
– basic	5	0.014	0.012
– diluted	5	0.014	0.012

Consolidated Balance Sheet

At 30 June 2011-unaudited

	Note	At 30 June 2011	At 31 December 2010
		US$	*US$*
Assets			
Property, plant and equipment	6	36,686,569	40,814,779
Intangible assets		144,087	164,283
Lease prepayments		6,564,147	679,702
Investment in an equity accounted investee		1,005,176	771,005
Deferred tax assets		104,560	178,489
Non-current assets		44,504,539	42,608,258
Inventories		31,041,408	26,742,020
Trade receivables, other receivables and prepayments	7	12,324,986	10,572,687
Income tax recoverable		28,508	15,548
Financial assets at fair value through profit or loss		1,000,000	-
Time deposits maturing after three months		19,092,144	13,606,410
Cash and cash equivalents		103,428,325	116,147,982
Current assets		166,915,371	167,084,647
Total assets		211,419,910	209,692,905
Liabilities			
Trade and other payables	8	34,778,968	37,237,014
Interest-bearing borrowings		-	1,125,966
Income tax payables		1,185,363	1,698,142
Provisions		1,955,140	1,967,625
Total current liabilities		37,919,471	42,028,747
Total non-current liabilities		-	-
Total liabilities		37,919,471	42,028,747
Net current assets		128,995,900	125,055,900
Total assets less current liabilities		173,500,439	167,664,158
Net assets		173,500,439	167,664,158
Equity			
Paid-in capital		1,162,872	1,162,872
Reserves		172,337,567	166,501,286
Total equity attributable to equity holders of the Company		173,500,439	167,664,158
Total liabilities and equity		211,419,910	209,692,905

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT:

1. 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 2010 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 for the six months ended 30 June 2011 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 19 August 2011. 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 financial information relating to the financial year ended 31 December 2010 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 statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2011.

2. REVENUE & SEGMENT REPORTING

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.

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.

(a) Segment results

	Six months ended 30 June 2011			
	Manufacture and sales of motorbikes	**Manufacture and sales of spare parts and engines**	**Moulds and repair services**	**Group**
	US$	*US$*	*US$*	*US$*
Revenue from external customers	125,766,738	17,955,020	49,414	143,771,172
Inter-segment revenue	-	51,296,564	713,600	52,010,164
Reportable segment revenue	125,766,738	69,251,584	763,014	195,781,336
Reportable segment profits (Adjusted EBIT)	6,318,838	5,096,388	126,576	11,541,802

	Six months ended 30 June 2010			
	Manufacture and sales of motorbikes	Manufacture and sales of spare parts and engines	Moulds and repair services	Group
	US$	*US$*	*US$*	*US$*
Revenue from external customers	99,150,180	13,485,764	91,898	112,727,842
Inter-segment revenue	-	41,000,498	780,882	41,781,380
Reportable segment revenue	99,150,180	54,486,262	872,780	154,509,222
Reportable segment profits (Adjusted EBIT)	7,724,880	5,809,881	172,758	13,707,519

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2011	**2010**
	US$	*US$*
Profit		
Reportable segment profit derived from Group's external customers	11,541,802	13,707,519
Net finance income	5,408,737	2,237,879
Share of profits of an equity accounted investee	234,171	169,681
Unallocated corporate expenses	(1,416,151)	(1,876,548)
Consolidated profit before income tax	15,768,559	14,238,531

3. PROFIT BEFORE INCOME TAX

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

(a) Finance income and expense

Interest income from banks	5,366,077	3,242,562
Net foreign exchange gains	60,200	-
Interest income from available-for-sale financial assets	-	2,746
Finance income	5,426,277	3,245,308
Interest paid and payable to banks	(17,540)	(90,050)
Net foreign exchange losses	-	(917,379)
Finance expense	(17,540)	(1,007,429)
Net finance income	5,408,737	2,237,879

(b) Staff cost

	Six months ended 30 June 2011	2010
	US$	*US$*
Wages and salaries	4,283,693	3,984,593
Staff welfare	2,220,608	1,814,895
Equity settled share-based payment expenses	8,395	55,636
Contributions to defined contribution plan	365,036	325,179
Severance allowance	114,904	316,843
Total	6,992,636	6,497,146

(c) Other items

Amortisation of lease prepayments/intangible assets	109,350	68,687
Depreciation of property, plant and equipment	3,698,383	3,778,892
Equity settled share-based payment expenses - employees of the ultimate holding company	9,642	48,104
Impairment losses on goodwill	-	8,751
Impairment losses on property, plant and equipment	-	478,921
(Gains)/Loss on disposal of property, plant and equipment (net)	(57,553)	8,748
Research and development expenses	4,097,055	3,715,016
Write down of inventories	120,192	294,408

4. INCOME TAX EXPENSE

Recognised in the income statement

– current tax	2,903,164	2,349,717
–under/ (over) provision in prior period	310,211	78,549
Deferred tax expense		
– origination and reversal of temporary differences	66,632	600,636
	3,280,007	3,028,902

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 2011.

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

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

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

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

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

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

Chinfon Real Estate Development Co., Ltd. was established on 29 March 2011 in the Cayman Islands as an exempted company with limited liability. Chinfon Real Estate Development Co., Ltd. is not subject to income tax in the Cayman Islands.

5. 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$12,488,552 (six months ended 30 June 2010: US$11,209,629) and 907,680,000 ordinary shares (six months ended 30 June 2010: 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 2011 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

6. PROPERTY, PLANT AND EQUIPMENT

The additions, disposals and the effect of movements in exchange rate of the items of property, plant and equipment are as follows:

	Six months ended 30 June	
	2011	**2010**
	US$	*US$*
Additions	1,790,776	8,912,857
Disposals (net carrying amount)	(25,939)	(22,744)
Effect of movements in exchange rate	(2,194,664)	(1,317,649)

7. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June 2011 *US$*	At 31 December 2010 *US$*
Trade receivables	2,720,572	2,931,202
Non-trade receivables	4,799,205	2,609,072
Prepayments	4,463,064	4,878,633
Amounts due from related parties		
- trade	341,863	153,624
- non-trade	282	156
	12,324,986	10,572,687

The Group's exposure to credit risk is minimal as the Group generally offers no credit terms to domestic customers in Vietnam, which accounted for approximately 88% (six months ended 30 June 2010 : 87%) of total customers for the six-month period ended 30 June 2011. 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:

Within three months	3,010,942	3,084,826
More than three months but within one year	51,493	-
	3,062,435	3,084,826

8. TRADE AND OTHER PAYABLES

Trade payables	13,111,479	17,537,125
Other payables and accrued operating expenses	10,515,752	10,855,113
Advances from customers	2,102,093	2,821,641
Amounts due to related parties		
- trade	9,026,882	6,021,797
- non-trade	22,762	1,338
	34,778,968	37,237,014

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

Within three months	19,863,447	19,604,630
More than three months but within one year	2,267,373	3,952,072
More than one year but within five years	7,541	2,220
	22,138,361	23,558,922

MANAGEMENT DISCUSSION & ANALYSIS

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

BUSINESS REVIEW

The economic conditions in Vietnam remained uncertain but its domestic motorbike industry continued to grow at a steady pace. In the first half of 2011, whilst the GDP growth rate was 5.6%, the inflation rate recorded double digit growth as led by the rapid increase in money supply. Currently, economic indicators demonstrate that devaluation in currency and high inflationary pressure still remained the main factors of financial instability within the country. The foreign exchange rate against US$ was US$1: VND19,500 on 31 December 2010. It was depreciated by 7% to US$1: VND20,880 on 21 February 2011, and the rate maintained at US$1: VND20,840 in mid August this year.

During the six months ended 30 June 2011, total domestic sales revenue of the Group in Vietnam grew in double digits which attributed to the resilient domestic motorbikes market in Vietnam. The rising inflation and operation costs have led to the upward adjustment of our sales price since the second quarter of the year. However, the increased sales price was still insufficient to absorb the inflated costs. The growth of our operation profit therefore could not catch up with the rise of revenue. In the first half of the year of 2011, export sales quantity and revenue improved over the same period of time in last year but margin shrank because the improvement in the export unit prices could not match with the appreciation in the production costs.

During the period under review, the costs of materials, components, wages and salaries increased in double digits. The challenges to the management were to ameliorate operational efficiency, costs control as well as the pricing power of our products to keep margin intact and at the same time to keep the sales momentum in the upward trend to enlarge our market share. Given such a competitive market environment, the management opted for gradual adjustment of our sales prices, rather than shifting all the additional costs to the consumers immediately. Therefore, our growth rate of the operational profit is lower than the sales revenue.

The Group operated in a challenging and competitive environment, however, we still managed to achieved an encouraging performance in the first half of 2011. The Group has accomplished a revenue of approximately US$143.8 million and a net profit after tax of approximately US$12.5 million, representing an increased by 28% and 11% respectively over the first half of 2010. This demonstrates the Group's successful execution of its business strategy of providing high performance products and high value added services to its high quality demanding customers.

For the six months ended 30 June 2011, an aggregate of approximately 123,000 units (which comprised of approximately 76,000 units and 47,000 units of scooters and cubs respectively) were sold by the Group in Vietnam and approximately 22,000 units were exported to ASEAN countries (mainly the Philippines, Indonesia, Singapore, Brunei, Myanmar and Malaysia), representing an increase of 36% and 16% respectively over the same period of previous year.

During the period under review, the Group strengthened its distribution network with the opening of 6 outlets in Vietnam. As of 30 June 2011, the Group's extensive distribution network comprised over 319 SYM-authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

Revenue increased from US$112.7 million for the six months ended 30 June 2010 to US$143.8 million for the six months ended 30 June 2011, and the Group's net profit after tax was US$12.5 million for the six months ended 30 June 2011 as compared with US$11.2 million for the six months ended 30 June 2010, representing an increase of 28% and 11% respectively. 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 2011 amounted to US$143.8 million as compared with US$112.7 million for the six months ended 30 June 2010, representing an increase of US$31.1 million or 28%. This increase was due to stable domestic demand in Vietnam during the period. The Group domestic sales quantities and sales quantities of scooters both increased by 36% for the six months ended 30 June 2011 as compared with the six months ended 30 June 2010. Sales of scooters continued to be the Group's major profit driver which accounted for 68% of total sales, and the principal models were ATTILA-VICTORIA, ELIZABETH, SHARK, JOYRIDE and ENJOY. In terms of geographical contribution, approximately 85% of total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2011.

COST OF SALES

The Group's cost of sales increased by 37%, from US$85.3 million for the six months ended 30 June 2010 to US$116.5 million for the six months ended 30 June 2011. Such increment was primarily due to higher sales volume, the increase in materials, components and labour costs in Vietnam. The Group has increased the usage of components sourced locally and parts imported from China, and reduced cost of new models through re-design, etc. To mitigate the adverse impact on its operations, the Group focused on maintaining stringent controls over its operating costs. As a percentage of total revenue, the Group's cost of sales increased from 76% for the six months ended 30 June 2010 to 81% for the six months ended 30 June 2011.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the increases of materials, components and labour costs and devaluation of Vietnamese Dong as discussed above, the gross profit of the Group decreased by 1%, from US$27.4 million for the six months ended 30 June 2010 to US$27.3 million for the six months ended 30 June 2011. In between such comparative periods, the Group's gross profit margin has slightly decreased from 24% to 19%.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 17%, from US$6.4 million for the six months ended 30 June 2010 to US$7.4 million for the six months ended 30 June 2011. This increase was mainly due to the increases in advertising expenses, warranty, sales incentives and supporting fees to distributors, as these were the marketing strategies adopted by the Group to increase its market share in a competitive market.

TECHNOLOGY TRANSFER FEES

The technology transfer fees increased by 24%, from US$3.1million for the six months ended 30 June 2010 to US$3.8 million for the six months ended 30 June 2011. This increase was largely due to an increase in the sales volume of SYM- branded motorbikes particularly scooters.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 10%, from US$6.8million for the six months ended 30 June 2010 to US$6.1 million for the six months ended 30 June 2011, accounting for 4% of the Group's total revenue for the six months ended 30 June 2011. This was principally as a consequence of reducing operating costs which was partly offset by the increase of staff salaries and related costs.

OTHER INCOME

A fire broke out in a factory in Vietnam owned by VMEP, a wholly-owned subsidiary of the Company which resulted in losses to the Group's inventories and property, plant and equipment amounted to US$3.0 million in 2008. The Group has received the first instalment of insurance compensation which amounted to US$1.0 million in September 2009, the second instalment amounted to US$1.0 million during the six months ended 30 June 2010 and the final instalment totalling US$0.6 million in the second half year of 2010. Therefore, no further amount has been received during the six months ended 30 June 2011.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's profit from operating activities decreased by 14%, from US$11.8 million for the six months ended 30 June 2010 to US$10.1 million for the six months ended 30 June 2011.

NET FINANCE INCOME

The Group's net finance income has increased by 141%, from US$2.2 million for the six months ended 30 June 2010 to US$5.4 million for the six months ended 30 June 2011. This increase was mainly attributable to an increase in the interest income (particularly from deposits placed with banks in Vietnam with higher rates) amounted to US$2.1 million. Exchange losses arisen from deterioration of exchange rate of the Vietnamese Dong against the US dollar for the six months ended 30 June 2010 amounted to US$0.9 million as compared with exchange profit US$0.06 million for the period ended 30 June 2011.

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 11%, from US$11.2 million for the six months ended 30 June 2010 to US$12.5 million for the six months ended 30 June 2011, but the Group's net profit margin decreased from 10% for the six months ended 30 June 2010 to 9% for the six months ended 30 June 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group's net current assets amounted to US$129.0 million (31 December 2010: US$125.1 million) which consisted of current assets amounting to US$166.9 million (31 December 2010: US$167.1 million) and current liabilities amounting to US$37.9 million (31 December 2010: US$42.0 million).

As at 30 June 2011, the Group had no interest-bearing borrowings repayable within one year (31 December 2010: US$1.1 million originally denominated in US$). As at 30 June 2011, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2010: US$0 which was denominated in US$). As at 30 June 2011, the gearing ratio was 0% (31 December 2010: 1%) calculated by dividing total interest-bearing borrowings by total equity.

As at 30 June 2011, the cash and bank balances, amounted to US$122.5 million, including US$62.0 million which was originally denominated in Vietnamese Dong, US$52.0 million which was denominated in US$, US$4.3 million denominated in NTD, US$4.0 million denominated in RMB and US$0.2 million which was originally denominated in HK$, EUR and IDR (31 December 2010: US$129.8 million, mainly included US$80.1 million which was originally denominated in Vietnamese Dong, US$47.1 million which was denominated in US$ and US$2.6 million which was originally denominated in HK$, NTD and IDR).

As at 30 June 2011, the Group had investments of bank structured deposit amounted to US$1.0 million (31 December 2010: US$0), which was classified as financial assets at fair value through profit or loss.

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

EXPOSURE TO 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 Vietnamese Dong or US dollars. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2011, the capital commitments of the Group amounted to US$22.5 million (31 December 2010: US$0.6 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 of Hong Kong Limited (the "Stock Exchange") and cash generated from the Group's operations.

The Group had no significant contingent liabilities as at 30 June 2011.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia and Hong Kong, and regularly reviews its remuneration packages in the 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 2011, the Group had 2,237 employees (30 June 2010: 2,006). The total amount of salaries and related costs for the six months ended 30 June 2011 amounted to US$7.0 million (six months ended 30 June 2010: US$6.5 million).

CHANGES SINCE 31 DECEMBER 2010

Save as disclosed in this report, since 31 December 2010, 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 2010.

PROSPECTS

Looking ahead, the Vietnamese government will continue to take active measures to control inflation and Vietnam's economy is thus expected to maintain steady growth. Meanwhile, driven by the rising demand and favourable economic conditions of major countries of the ASEAN, such as Malaysia and the Philippines, the Group believes the motorbike industry will also continue its growth momentum.

The Group will introduce several modified motorbike models to raise product price and profitability. Besides, the Group will continue to consolidate the existing high-margin scooter market, including reinforcing the leading position of the female ATTILA series, and expanding the sales of high performance engine models series (SHARK 170cc), as well as the male models (SHARK and JOYRIDE).

In the future, the Group's new models will also be equipped with the latest, more fuel-efficient and environmentally friendly electronic injection engine technology to match with the market trend and consumption needs. From the internal management aspect, the Group will continue to enhance the bargaining power through increasing the local procurement. Leveraging the competitive advantages of research and development, the Group could also be able to speed up the progress of several value analysis and value engineering projects, thus further enhancing the operational efficiency and reducing the negative impact brought by rising cost towards the business.

Regarding the overall marketing strategy, the Group will continue to expand its dealership network as well as enhancing the sales scale. At the same time, the Group is devoted to exploring the ASEAN market, especially in Malaysia, the Philippines and Thailand.

To coordinate with the overall urban planning of Hanoi city, the Group's production base in Hanoi city will be reallocated. The new production base is currently under design and planning and expected to be completed and commence production in the middle of 2013. Meanwhile, the Group will also coordinate with the government of Vietnam and Hanoi City to evaluate the future development opportunity of the original site, though a tangible plan and timetable is still pending to be confirmed.

The management is optimistic that the Group is able to sustain a continuous growth of the Group's business in 2011 and beyond. This coupled with our first-class research and development capabilities and healthy financial position, will enable the Group to achieve robust performance in the coming years. The Group is confident that it will achieve good results and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the IPO of the Company in December 2007, net of listing expenses, amounted to US$76.7 million. As at 30 June 2011, such net proceeds were utilized in the following manner:

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 30 June 2011 US$' million
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.0	45.0
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	21.1	55.6

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

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 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors 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 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, 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 2011 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2011. 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 2011 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, 19 August 2011

As at the date of this announcement, the directors (the "Directors") of the Company comprised four executive Directors, namely Mr. Chang Kwang Hsiung, *Mr. Lou Hen Wen*, Mr. Lee Hsi Chun and Mr. Wang Ching Tung, two non-executive Directors, namely Mr.Chiang Shih Huang and Mr. Liu Wu Hsiung Harrison, and two independent non-executive Directors, namely Ms. Lin Ching Ching and Mr. Wei Sheng Huang.