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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS :
(expressed in US$million)

	2008	2007	change
• Total revenue	**216.8**	259.7	-17%
• Gross profit	**48.1**	67.2	-28%
• Net profit after tax	**8.0**	31.0	-74%
• Earnings per share – basic *(US$)*	**0.009**	0.042	-79%
• Proposed final dividend per share *(US$)*	**0.0026**	0.0218	
• Cash and bank balances	**60.3**	148.8	
• Available-for-sale financial assets *(Note (i))*	**75.6**	–	

Note: (i) On 5 January 2009, the Company disposed of its investment in available-for-sale financial assets totalling US$68.1 million and deposited the resulting cash received into a bank account. No gain or loss arose from such disposal (Note 11).

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the immediately preceding financial year. The Board also recommends the payment of a final dividend per share of US$0.0026 or HK$0.02 for the year ended 31 December 2008.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	**2008** *US$*	2007 *US$*
Revenue	*2*	**216,814,157**	259,737,332
Cost of sales		**(168,735,370)**	(192,558,987)
Gross profit		**48,078,787**	67,178,345
Other income		**598,681**	515,842
Distribution expenses		**(20,276,910)**	(19,066,894)
Technology transfer fees		**(5,157,019)**	(5,985,566)
Administrative expenses		**(15,606,591)**	(10,637,626)
Other expenses		**(19,460)**	(1,405,080)
Losses arising from fire	*3*	**(2,968,931)**	–
Results from operating activities		**4,648,557**	30,599,021
Finance income		**11,113,801**	4,937,942
Finance expenses		**(3,776,612)**	(798,213)
Net finance income	*4(c)*	**7,337,189**	4,139,729
Share of profits of an equity accounted investee		**80,568**	169,553
Profit before income tax	*4*	**12,066,314**	34,908,303
Income tax expenses	*5*	**(4,069,483)**	(3,864,834)
Profit for the year		**7,996,831**	31,043,469
Attributable to:			
Equity holders of the Company		**7,960,774**	30,999,244
Minority interests		**36,057**	44,225
Profit for the year		**7,996,831**	31,043,469
Dividends payable to equity holders of the Company			
Interim dividend declared during the year		**–**	39,000,000
Final dividend proposed after the balance sheet date	*6*	**2,399,050**	19,782,769
		2,399,050	58,782,769
Earnings per share			
– basic	*7*	**0.009**	0.042
– diluted	*7*	**0.009**	N/A

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Note	2008 US$	2007 US$
Assets			
Property, plant and equipment	8	**41,327,729**	39,470,807
Intangible assets		**185,779**	413,889
Lease prepayments		**3,135,565**	3,536,911
Goodwill		**8,751**	–
Investment in an equity accounted investee		**773,767**	793,939
Other non-current assets		**–**	62,510
Deferred tax assets		**1,129,035**	303,582
Total non-current assets		**46,560,626**	44,581,638
Inventories	9	**33,654,233**	40,838,363
Trade receivables, other receivables and prepayments	10	**19,046,202**	18,566,475
Income tax recoverable		**866,615**	3,573
Available-for-sale financial assets	11	**75,558,351**	–
Pledged bank deposits		**7,916,395**	9,822,323
Time deposits maturing after three months		**4,902,562**	13,243,810
Cash and cash equivalents		**47,439,732**	125,696,749
Total current assets		**189,384,090**	208,171,293
Total assets		**235,944,716**	252,752,931
Liabilities			
Trade and other payables	12	**22,281,596**	45,919,905
Interest-bearing borrowings		**39,794,029**	13,425,523
Income tax payables		**33,409**	1,355,736
Provisions		**1,786,124**	1,946,683
Total current liabilities		**63,895,158**	62,647,847
Net current assets		**125,488,932**	145,523,446
Total assets less current liabilities		**172,049,558**	190,105,084
Interest-bearing borrowings		**44,703**	70,226
Total non-current liabilities		**44,703**	70,226
Total liabilities		**63,939,861**	62,718,073
Net assets		**172,004,855**	190,034,858
Equity			
Paid-in capital		**1,162,872**	1,162,872
Reserves		**170,841,983**	188,405,996
Total equity attributable to equity holders of the Company		**172,004,855**	189,568,868
Minority interests		**–**	465,990
Total equity		**172,004,855**	190,034,858
Total liabilities and equity		**235,944,716**	252,752,931

NOTES:

1. BASIS OF PREPARATION

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

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which include the International Accounting Standards ("IAS") and related interpretations, promulgated by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At the date of this report, the IASB has issued the following IFRSs and interpretations which are not yet effective in respect of the year ended 31 December 2008. The Group had not early adopted these IFRSs and interpretations in the preparation of the financial statements.

	Effective for accounting periods beginning on or after
IFRIC 13, *Customer loyalty programmes*	1 July 2008
IFRIC 16, *Hedges of a net investment in a foreign operation*	1 October 2008
IFRIC 15, *Agreements for the construction of real estate*	1 January 2009
IFRIC 17, *Distributions on non-cash assets to owners*	1 July 2009
IFRIC 18, *Transfers of assets from customers*	Applies to transfers of assets from customers received on or after 1 July 2009
IFRS 8, *Operating segments*	1 January 2009
Revised IAS 1, *Presentation of financial statements*	1 January 2009
Revised IAS 23, *Borrowing costs*	1 January 2009
Amendments to IFRS 1, *First-time adoption of International Financial Standards, and IAS 27, Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly-controlled entity or associate*	1 January 2009
Amendment to IFRS 2, *Share-based payment – Vesting conditions and cancellations*	1 January 2009
Amendments to IAS 32, *Financial instruments: Presentation of financial statements-Puttable financial instruments and obligations arising on liquidation*	1 January 2009
Amendments to IFRIC 9, *Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement – Embedded derivatives*	The amendments are effective for annual periods ending or after 30 June 2009

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures – Improving disclosures about financial instruments*	1 January 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009
Revised IFRS 1, First-time adoption of International Financial Reporting Standards • Basis for conclusions on revised IFRS 1, *First time adoption of International Financial Reporting Standards* • Implementation guidance on revised IFRS 1, *First time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009

The directors have confirmed that the above IFRSs and interpretations, except for Revised IAS 1, Presentation of financial statement which is effective for accounting periods beginning on or after 1 January 2009, do not have a significant impact on how the results of operations and financial position of the Group for the year ended 31 December 2008 are prepared and presented. These IFRSs and interpretations may result in changes in the future as to how the results of operations and financial position of the Group are prepared and presented.

Revised IAS 1, Presentation of financial statements, introduces the term, total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of income and all non-owner changes in equity in a single statement), or in a statement of income and a separate statement of comprehensive income.

(b) Basis of preparation of the consolidated financial statements

These financial statements are prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets.

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

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

2. REVENUE & SEGMENT REPORTING

Primary segment – 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 is net of any sales discounts and rebates.

	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$*
For the year ended 31 December 2008					
Revenue from external customers	**176,182,248**	**40,301,502**	**330,407**	**–**	**216,814,157**
Inter-segment revenue	**–**	**65,122,735**	**1,674,590**	**(66,797,325)**	**–**
Total revenue	**176,182,248**	**105,424,237**	**2,004,997**	**(66,797,325)**	**216,814,157**
Segment result	**17,500,677**	**1,334,138**	**336,288**	**(7,133,702)**	**12,037,401**
Unallocated expenses					**(7,388,844)**
Net finance income					**7,337,189**
Share of profits of an equity accounted investee					**80,568**
Profit before income tax					**12,066,314**
Income tax expenses					**(4,069,483)**
Profit for the year					**7,996,831**
Segment assets	**74,681,905**	**18,480,287**	**1,856,761**		**95,018,953**
Investment in an equity accounted investee					**773,767**
Unallocated assets#					**140,151,996**
Total assets					**235,944,716**
Segment liabilities	**18,003,589**	**4,245,061**	**60,283**		**22,308,933**
Unallocated liabilities					**41,630,928**
Total liabilities					**63,939,861**
Depreciation and amortisation	**4,660,814**	**3,169,666**	**60,980**	**–**	**7,891,460**
Non-cash expenses other than depreciation	**1,362,875**	**797,307**	**15,346**	**–**	**2,175,528**

\# *Included in unallocated assets are available-for-sale financial assets, pledged bank deposits, time deposits maturing after three months and, cash and cash equivalents, of US$75,558,351, US$7,916,395, US$4,902,562, and US$47,439,732, respectively.*

	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$*
For the year ended 31 December 2007					
Revenue from external customers	234,123,202	25,005,797	608,333	–	259,737,332
Inter-segment revenue	–	95,552,679	887,714	(96,440,393)	–
Total revenue	234,123,202	120,558,476	1,496,047	(96,440,393)	259,737,332
Segment result	30,331,420	14,537,575	146,982	(12,445,054)	32,570,923
Unallocated expenses					(1,971,902)
Net finance income					4,139,729
Share of profits of an equity accounted investee					169,553
Profit before income tax					34,908,303
Income tax expenses					(3,864,834)
Profit for the year					31,043,469
Segment assets	59,238,873	36,886,354	1,849,175	–	97,974,402
Investment in an equity accounted investee					793,939
Unallocated assets#					153,984,590
Total assets					252,752,931
Segment liabilities	28,849,936	14,748,116	529,105	–	44,127,157
Unallocated liabilities					18,590,916
Total liabilities					62,718,073
Depreciation and amortisation	5,440,162	3,082,921	135,486	–	8,658,569
Non-cash expenses other than depreciation	1,702,928	965,997	3,203	–	2,672,128

Included in unallocated assets are pledged bank deposits, time deposits maturing after three months and, cash and cash equivalents, of US$9,822,323, US$13,243,810 and US$125,696,749, respectively.

Secondary segment – geographical segments

The Group's business operates in Vietnam and other countries. Vietnam is the major market for most of the Group's businesses. Other countries mainly consist of Malaysia, the Philippines, Brunei and Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

For the year ended 31 December 2008	**Vietnam** *US$*	**Other countries** *US$*	**Group** *US$*
Revenue from external customers	**193,994,229**	**22,819,928**	**216,814,157**
Segment assets	**94,146,335**	**872,618**	**95,018,953**
Capital expenditure during the year	**12,610,071**	**761,413**	**13,371,484**

For the year ended 31 December 2007	Vietnam *US$*	Other countries *US$*	Group *US$*
Revenue from external customers	239,557,332	20,180,000	259,737,332
Segment assets	97,556,658	417,744	97,974,402
Capital expenditure during the year	10,843,955	–	10,843,955

3. LOSSES ARISING FROM FIRE

During the year, a fire broke out in a factory owned by Vietnam Manufacturing and Export Processing Co., Limited ("VMEP"), a wholly-owned subsidiary of the Company. The fire has resulted in losses to the Group's inventories of US$2,730,177 (Note 9) (2007: US$nil) and losses to the Group's property, plant and equipment of US$238,754 (Note 8) (2007: US$nil). The Group submitted an insurance claim of approximately US$3 million in September 2008 for the losses (Note 13).

4. PROFIT BEFORE INCOME TAX

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

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

	2008 *US$*	2007 *US$*
Salaries, wages and other benefits	**10,152,959**	8,983,417
Equity-settled share-based payment expenses	**745,435**	–
Contributions to defined contribution plans	**524,179**	364,832
Severance pay allowance	**715,568**	289,628
	12,138,141	9,637,877

(b) Other items

	2008 US$	2007 US$
Amortisation of lease prepayments/intangible assets	**459,122**	538,950
Auditors' remuneration		
– audit services	**321,761**	95,000
Cost of inventories recognised as expenses *(i)*	**166,328,731**	191,780,254
Depreciation of property, plant and equipment	**7,432,338**	8,119,619
Equity-settled share-based payment expenses		
– employees of the Group	**745,435**	–
– employees of the ultimate holding company	**528,706**	–
Government grants	**(1,327,194)**	(1,803,269)
(Gain)/loss on disposal/write off of property, plant and equipment (net)	**(25,796)**	3,683
Loss of property, plant and equipment as a result of fire *(Note 8)*	**238,754**	–
Loss of inventories as a result of fire *(Note 9)*	**2,730,177**	–
Operating lease of properties	**343,832**	582,475
Research and development expenses *(ii)*	**7,284,714**	10,502,411
Technical consultancy fee	**450,000**	339,407
Warranty expenses	**3,389,433**	4,541,526

(i) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation and amortisation expenses and rental expense of properties, which are also included in the respective total amounts disclosed separately above or in Note 4(a) for each of these types of expenses.

(ii) Research and development expenses include amounts relating to staff costs, depreciation and amortisation expenses, rental expense of properties and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in Note 4(a) for each of these types of expenses. No development expenditure was capitalised for the year ended 31 December 2008 (2007: US$nil).

(c) Finance income and expenses

	2008 US$	2007 US$
Interest income from banks	**8,061,654**	4,932,084
Interest income from assets-backed securities	**2,946,057**	–
Dividend income from mutual funds	**106,090**	–
Net foreign exchange gains	**–**	5,858
Finance income	**11,113,801**	4,937,942
Interest paid and payable to banks	**(1,183,730)**	(798,213)
Net foreign exchange losses	**(2,592,882)**	–
Finance expenses	**(3,776,612)**	(798,213)
Net finance income	**7,337,189**	4,139,729

5. INCOME TAX EXPENSES

Recognised in the consolidated income statement

	2008	2007
	US$	*US$*
Current tax expenses		
– current tax#	**1,796,462**	4,001,090
– under-provision in prior years*	**2,882,946**	33,380
Deferred tax expense		
– origination and reversal of temporary differences	**(609,925)**	(169,636)
	4,069,483	3,864,834

* *The under-provision of income tax expense in 2008 mainly resulted from the difference in the methodology used by VMEP and the Vietnam tax authorities in determining the taxable profit of VMEP's engine assembling and manufacturing activities. This issue arose during 2008 when the tax authorities carried out their tax assessments for the fiscal years 2003 to 2006. The difference in methodology arose due to unclear guidance under the current tax regulations in the allocation of revenue and expenses relating to the engine manufacturing activities and other activities, which attract different tax rates. The taxable profit for 2007 was recomputed based on the methodology used by the Vietnam tax authorities and the income tax expense for 2007 was adjusted accordingly.*

\# *VMEP computed its taxable profits for 2008 based on the methodology used by the Vietnam tax authorities.*

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 years ended 31 December 2007 and 2008.

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 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 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.

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 corporate income tax 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 is 15% for the amount of net profit below New Taiwan Dollar ("NTD") 100,000, and 25% for the amount of net profit at or above NTD100,000.

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.

6. DIVIDENDS

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

	2008	2007
	US$	*US$*
Interim dividend declared and paid of US$nil per ordinary share (2007: US$0.5635)	**–**	33,000,000#
Final dividend proposed after the balance sheet date of US$0.0026 (2007: US$0.0218) per ordinary share*	**2,399,050**	19,782,769
	2,399,050	52,782,769

The interim dividend was declared and paid before the capitalisation of share premium account and initial public offering.

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

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

	2008	2007
	US$	*US$*
Interim dividend in respect of the previous year, declared and paid during the year of US$nil per ordinary share (2007: N/A#)	**–**	6,000,000

The dividend rate is not presented as such information is not meaningful for the purpose of the financial statements.

7. 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$7,960,774 (2007: US$30,999,244) and the weighted average of 907,680,000 ordinary shares (2007: 737,294,466 shares after adjusting for the capitalisation issue in 2007) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2008	2007
Issued ordinary shares at 1 January	**907,680,000**	58,560,000
Effect of capitalisation issue	**–**	673,440,000
Effect of the initial public offering	**–**	5,294,466
Weighted average number of ordinary shares at 31 December	**907,680,000**	737,294,466

Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 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 year ended 31 December 2007 and therefore diluted earnings per share are not presented.

8. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings US$	Machinery, moulds and equipment US$	Office equipment, furniture and fittings US$	Electrical, water and utility system US$	Motor vehicles US$	Assets under construction US$	Total US$
Cost							
At 1 January 2007	11,824,454	65,597,939	1,533,318	5,895,654	1,301,597	1,867,209	88,020,171
Additions	114,244	3,813,694	273,780	5,789	77,786	6,272,362	10,557,655
Transfer from assets under construction	914,901	–	–	–	–	(914,901)	–
Disposals	–	(2,959,145)	(96,998)	(104,681)	(83,036)	(3,883,988)	(7,127,848)
Effect of movements in exchange rate	27,736	148,417	3,646	13,142	2,920	5,853	201,714
At 31 December 2007	12,881,335	66,600,905	1,713,746	5,809,904	1,299,267	3,346,535	91,651,692
Additions	204,417	7,408,296	174,737	212,228	182,754	4,281,463	12,463,895
Through acquisition of a subsidiary	10,271	688,488	13,710	–	46,131	–	758,600
Transfer from assets under construction	1,789,390	1,195,153	–	–	–	(2,984,543)	–
Disposals[#]	(233,791)	(603,304)	(57,198)	(9,803)	(179,357)	–	(1,083,453)
Effect of movements in exchange rate	(1,159,288)	(6,051,218)	(151,224)	(497,264)	(116,959)	(336,040)	(8,311,993)
At 31 December 2008	**13,492,334**	**69,238,320**	**1,693,771**	**5,515,065**	**1,231,836**	**4,307,415**	**95,478,741**
Accumulated depreciation							
At 1 January 2007	3,090,054	38,006,300	819,225	4,449,070	766,941	–	47,131,590
Depreciation charge for the year	444,930	7,098,648	246,621	189,210	140,210	–	8,119,619
Disposals	–	(2,942,508)	(93,527)	(104,681)	(41,104)	–	(3,181,820)
Effect of movements in exchange rate	7,447	90,106	2,014	10,096	1,833	–	111,496
At 31 December 2007	3,542,431	42,252,546	974,333	4,543,695	867,880	–	52,180,885
Depreciation charge for the year	522,911	6,305,019	257,022	198,930	148,456	–	7,432,338
Disposals[#]	(32,844)	(597,170)	(49,322)	(5,801)	(105,957)	–	(791,094)
Effect of movements in exchange rate	(318,644)	(3,796,387)	(90,811)	(390,354)	(74,921)	–	(4,671,117)
At 31 December 2008	**3,713,854**	**44,164,008**	**1,091,222**	**4,346,470**	**835,458**	**–**	**54,151,012**
Carrying amount							
At 31 December 2008	**9,778,480**	**25,074,312**	**602,549**	**1,168,595**	**396,378**	**4,307,415**	**41,327,729**
At 31 December 2007	9,338,904	24,348,359	739,413	1,266,209	431,387	3,346,535	39,470,807

\# *Included in property, plant and equipment disposals were property, plant and equipment with carrying amount of US$ 238,754 arising from the fire that occurred during the year as set out in Note 3.*

9. INVENTORIES

	The Group	
	2008	2007
	US$	*US$*
Raw materials	**25,151,664**	26,728,528
Tools and supplies	**867,625**	819,169
Work in progress	**905,644**	3,223,197
Finished goods	**3,203,798**	7,812,399
Merchandise inventories*	**5,883,317**	4,550,465
	36,012,048	43,133,758
Allowance for inventory impairment	**(2,357,815)**	(2,295,395)
Net realisable value	**33,654,233**	40,838,363

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

Inventories with carrying amount of US$ 2,730,177 were written off as a result of the fire that occurred during the year (Note 3).

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

	The Group	
	2008	2007
	US$	*US$*
Carrying amount of inventories sold	**165,915,018**	189,914,342
Write down of inventories	**413,713**	1,865,912
	166,328,731	191,780,254

Movements in allowance for inventory impairment were as follows:

	The Group	
	2008	2007
	US$	*US$*
At the beginning of the year	**2,295,395**	751,140
Additions	**413,713**	1,865,167
Through acquisition of a subsidiary	**180,319**	–
Utilisation	**(531,612)**	(320,912)
At the end of the year	**2,357,815**	2,295,395

10. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	US$	*US$*	***US$***	*US$*
Trade receivables *(Notes 10(i) and 10(ii))*	**5,357,300**	2,539,534	**–**	–
Non-trade receivables *(Note 10(iii))*	**3,664,225**	7,575,119	**161,988**	3,525,666
Prepayments *(Note 10(iv))*	**8,534,211**	5,250,947	**171**	3,982
Amounts due from related parties	**1,490,466**	3,200,875	**–**	–
Amount due from a subsidiary	**–**	–	**32,000,000**	–
At 31 December	**19,046,202**	18,566,475	**32,162,159**	3,529,648

Amount due from a subsidiary of the Company is in respect of the dividend receivable from VMEP.

(i) Trade receivables

All of the trade receivables are expected to be recovered within one year. The Group generally offers no credit terms to domestic customers, which accounted for approximately 89% (2007: 92%) of total customers. 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.

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

	The Group	
	2008	2007
	US$	*US$*
Within three months	**6,057,660**	4,632,505
More than three months but within one year	**511,559**	263,143
More than one year	**–**	44,778
	6,569,219	4,940,426

(ii) Trade receivables that are not impaired

The aging analysis of trade receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	US$	*US$*
Neither past due nor impaired	**6,512,696**	4,543,280
Less than 1 month past due	**31,936**	383,957
1 to 3 months past due	**24,587**	13,189
	56,523	397,146
	6,569,219	4,940,426

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(iii) Non-trade receivables

	The Group		The Company	
	2008	2007	**2008**	2007
	US$	*US$*	***US$***	*US$*
Deductible VAT	**1,578,394**	1,305,111	**–**	–
Discount on spare parts purchased	**–**	562	**–**	–
Import tax refundable	**670,490**	1,194,126	**–**	–
Interest receivable	**148,935**	369,840	**148,935**	
Listing fee recoverable	**–**	3,511,146	**–**	3,511,146
Others	**1,266,406**	1,194,334	**13,053**	14,520
At 31 December	**3,664,225**	7,575,119	**161,988**	3,525,666

The above balances are unsecured, interest-free and have no fixed terms of repayment. They are expected to be recovered or utilised within one year.

(iv) Prepayments

	The Group		The Company	
	2008	2007	**2008**	2007
	US$	*US$*	***US$***	*US$*
Prepayments	**535,581**	4,314	**171**	3,982
Advances to suppliers	**7,998,630**	5,246,633	**–**	–
At 31 December	**8,534,211**	5,250,947	**171**	3,982

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	The Group/The Company	
	2008	2007
	US$	*US$*
Assets-backed securities *(Note 11(i))*	**68,100,000**	–
Mutual funds *(Note 11(ii))*	**7,458,351**	–
	75,558,351	–

(i) Assets-backed securities

The credit ratings of the Assets-Backed Securities ("ABS") were 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 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 securities' issuer and the amount of the ABS held by the Group and the Company are as follows:

	The Group/The Company	
	2008	2007
Security issuer	***US$***	*US$*
SLM Student Loan Trust ("SSLT") 2002-7	**26,950,000**	–
SSLT 2003-2	**20,000,000**	–
SSLT 2006-7	**20,000,000**	–
Access Group, Inc.	**1,150,000**	–
At fair value	**68,100,000**	–

The ABS are denominated in US$ and bear interest rates ranging from 3.33% to 3.38% as at 31 December 2008.

The Group and the Company acquired the ABS through an investment bank (the "Investment Bank") in the beginning of 2008. In August 2008, the Investment Bank announced an auction rate notes purchase programme to run from January 2009 through to January 2010, offering to buy at par auction rate securities it had sold to its retail clients. The programme is aimed at creating liquidity for its retail clients. The ABS held by the Company and the Group as at 31 December 2008 was covered in the programme.

On 5 January 2009, the Company disposed of its entire investment in ABS, totalling US$68,100,000 to the Investment Bank. There is no gain or loss arising from the disposal.

The ABS as at 31 December 2008 was pledged to the Investment Bank as collateral of interest bearing borrowings.

(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 deposit and repurchase orders, and floating rate notes.

The funds' issuer is an open-ended investment company which is listed on the Irish Stock Exchange. Details of the funds held by the Group and the Company as at 31 December are as follows:

	The Group/The Company	
	2008	2007
Fund issuer	***US$***	*US$*
Institutional Cash Series Plc.		
– Institutional US Dollar Liquidity Fund denominated in US$	**7,403,365**	–
– Institutional Euro Liquidity Fund denominated in EURO	**54,986**	–
At fair value	**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 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 Poors' rating.*

12. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	US$	*US$*	***US$***	*US$*
Trade payables *(Note 12(i))*	**8,878,956**	18,045,969	**–**	–
Other payables and accrued operating expenses *(Note 12(ii))*	**6,978,450**	14,087,056	**453,392**	329,465
Advances from customers	**2,576,120**	4,313,555	**–**	–
Amounts due to related parties	**3,848,070**	9,473,325	**–**	–
Amount due to subsidiary	**–**	–	**82,426**	33,992
	22,281,596	45,919,905	**535,818**	363,457

(i) Trade payables

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

	The Group	
	2008	2007
	US$	*US$*
Within three months	**9,745,234**	25,411,020
More than three months but within one year	**2,677,091**	1,738,385
More than one year but within five years	**304,701**	369,889
	12,727,026	27,519,294

(ii) Other payables and accrued operating expenses

	The Group		The Company	
	2008	2007	**2008**	2007
	US$	*US$*	***US$***	*US$*
Other tax payables	**997,462**	3,352,291	**–**	–
Commission and bonus payable to dealers	**1,675,263**	4,236,773	**–**	–
Accrued expenses	**2,210,725**	4,085,179	**453,392**	329,465
Other payables	**2,095,000**	2,412,813	**–**	–
	6,978,450	14,087,056	**453,392**	329,465

The above balances are expected to be settled within one year.

13. CONTINGENT ASSET/LIABILITY

Contingent asset

As disclosed in Note 3, during the year, 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. The Group submitted an insurance claim of approximately US$3 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 recognised in respect of this insurance claim.

Contingent liability

During the year, the Vietnam Ministry of Finance applied in practice for the first time specific provisions of Circular 40/2008/TT-BTC ("Circular 40") providing guidelines on customs valuation of import and export goods for customs duty purposes. Under Circular 40, companies that import goods and pay royalties and licensing 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 royalties and fees are not included in the price of the imported goods may be required to add the royalty and license fee payment to customs value of the imported goods for custom duty purposes.

The impact of the application of Circular 40 on VMEP is still uncertain in view of the varying 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 from Circular 40 as the payment of royalty is not directly related nor is a condition of the imports of the knock down parts.

14. NON-ADJUSTING POST-BALANCE SHEET EVENT

On 5 January 2009, the Company disposed of its entire investment in ABS totalling US$68,100,000. There is no gain or loss arising from the disposal.

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

Vietnam's economy was affected by the global and domestic economic turmoil of 2008. Despite inflationary pressures during the first half of 2008, the Vietnamese motorbike market reported double-digit percentage growth driven by growing domestic demand. Persistent efforts to enhance operational efficiency through stringent cost control measures allowed the Group to achieve satisfactory growth in both revenues and profits over the first half of 2008.

However, Vietnam's motorbike market experienced a rapid downturn in the second half of 2008 with soaring oil prices and heightened market competition as the sub-prime crisis in the US intensified, creating a negative impact on the Group's business operations. Many foreign-owned motorbike manufacturers bolstered their efforts to develop the Vietnam market following the global economic slowdown in the second half of 2008. In response, to help broaden its revenue sources, the Group began placing greater emphasis on developing motorbike markets in other countries which are members of the Association of South East Asian Nations ("ASEAN") during 2008 and its overseas sales in 2008 increased by 13% as compared to its overseas sales in 2007.

To help overcome today's current challenging environment, the Group employed a series of measures to improve inventory levels, strengthen cost controls and enhance operational efficiency. Furthermore, the Group has dedicated additional resources toward enhancing its research and development capabilities to provide better value-added products for its customers.

During 2008, the Group strengthened its distribution network with the opening of 20 additional stores, including 6 flagship outlets. As at 31 December 2008, the Group's extensive distribution network comprised over 285 SYM-authorised stores owned by dealers, covering every province in Vietnam. In terms of international markets, the Group's products are sold overseas in Brunei, Malaysia, Myanmar, Indonesia, Singapore and the Philippines.

Financial Review

Amidst sluggish sales demand and tight credit policies generally in Vietnam, the motorbike market in Vietnam has been facing an increasingly difficult operating environment. The Group's revenue decreased by US$42.9 million or 17%, from US$259.7 million for the year ended 31 December 2007 to US$216.8 million for the year ended 31 December 2008, and the Group's net profit after tax was US$8.0 million for the year ended 31 December 2008 as compared with US$31.0 million for the year ended 31 December 2007. 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 year ended 31 December 2008 decreased by US$42.9 million, or 17%, to US$216.8 million from US$259.7 million for the year ended 31 December 2007. This decrease was due to sluggish domestic demand in Vietnam during the second half of 2008. In particular, domestic sales quantities of scooters decreased by 22% for the year ended 31 December 2008 as compared with the year ended 31 December 2007, while overall sales quantities decreased by 19% for the same comparative period. Sales of scooters continued to be the Group's major profit driver, accounting for 64% of total sales. In terms of geographical contribution, approximately 89% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2008.

Cost of Sales

The Group's cost of sales decreased by 12%, from US$192.6 million for the year ended 31 December 2007 to US$168.7 million for the year ended 31 December 2008. This decrease was primarily due to lower sales volumes and stringent controls over costs through increasing the usage of components sourced locally. As a percentage of total revenue, the Group's cost of sales increased from 74% for the year ended 31 December 2007 to 78% in the year ended 31 December 2008.

Gross Profit and Gross Profit Margin

As a result of the factors discussed above, the gross profit of the Group decreased by 28%, from US$67.2 million for the year ended 31 December 2007 to US$48.1 million for the year ended 31 December 2008. Between such comparative period, the Group's gross profit margin decreased from 26% to 22%, mainly due to sluggish sales of higher margin scooters as compared to cubs which have relatively lower margins.

Distribution Expenses

The Group's distribution expenses increased by 6%, from US$19.1 million for the year ended 31 December 2007 to US$20.3 million for the year ended 31 December 2008. This increase was in line with the rise in advertising and marketing fees for the enhancement of the image of the Group's brands as well as higher sales incentives and supporting fees to distributors for organising marketing activities and renovating flagship stores.

Technology Transfer Fees

The technology transfer fees decreased by 13%, from US$6.0 million for the year ended 31 December 2007 to US$5.2 million for the year ended 31 December 2008. 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 increased by 47%, from US$10.6 million for the year ended 31 December 2007 to US$15.6 million for the year ended 31 December 2008, accounting for 7% of the Group's total revenue for the year ended 31 December 2008. This was attributable to an increase in: (i) salary expenses in connection with a surge in staff costs in the labour market; (ii) equity settled share-based payment expenses attributable to the valuation of granted share options; and (iii) legal and compliance expenses in connection with the status of the Company as a listed company on the main board of the Stock Exchange.

Profit from Operating Activities

As a result of the factors discussed above, the Group's profit from operating activities decreased by 85%, from US$30.6 million for the year ended 31 December 2007 to US$4.7 million for the year ended 31 December 2008.

Net Financial Income

The Group's net financial income increased by 78%, from US$4.1 million for the year ended 31 December 2007 to US$7.3 million for the year ended 31 December 2008. This increase was mainly attributable to a significant increase in interest income. However, this was partly offset by an increase in exchange losses for the year ended 31 December 2008 compared with an exchange gain for the year ended 31 December 2007, as the exchange rate of the Vietnam Dong against the US dollar decreased during 2008.

Profit for the Year and Net Profit Margin

As a result of the factors discussed above, the Group's profit for the year, after income tax, decreased by 74%, from US$31.0 million for the year ended 31 December 2007 to US$8.0 million for the year ended 31 December 2008, and the Group's net profit margin decreased from 12% for the year ended 31 December 2007 to 4% for the year ended 31 December 2008.

Liquidity and Financial Resources

As at 31 December 2008, the Group's net current assets amounted to US$125.5 million (31 December 2007: US$145.5 million) which consisted of current assets amounting to US$189.4 million (31 December 2007: US$208.2 million) and current liabilities amounting to US$63.9 million (31 December 2007: US$62.6 million).

As at 31 December 2008, the interest-bearing borrowings repayable within one year was US$39.8 million, of which US$15.1 million was denominated in US$ and US$24.7 million was originally denominated in HK$ (31 December 2007: US$13.4 million which was denominated in US$). As at 31 December 2008, the Group had interest-bearing borrowings repayable beyond one year amounting to US$0.04 million which was denominated in US$ (31 December 2007: US$0.07 million which was denominated in US$). As at 31 December 2008, the gearing ratio was 23% (31 December 2007: 7%) calculated by dividing total interest-bearing borrowings by total equity.

As at 31 December 2008, the cash and bank balances (including pledged bank deposits), amounted to 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 (31 December 2007: US$148.8 million, including US$63.0 million which was originally denominated in Vietnam Dong, US$81.0 million which was denominated in US$, US$nil which was originally denominated in HK$ and US$4.8 million which was originally denominated in NTD).

As at 31 December 2008, the Group had placed with a reputable financial institution available-for-sale financial assets amounting to US$75.6 million (31 December 2007: US$nil) which were mainly denominated in US$. These financial assets include ABS which amounted to US$68.1 million and mutual funds which amounted to US$7.5 million. Such financial assets predominantly had a credit rating of AAA or AAAm and were not credit-impaired. Due to the deterioration of the capital market in the US, the liquidity of the market for the ABS began to fall in the beginning of 2008. Subsequent to the end of the year ended 31 December 2008, the Group re-sold all ABS at par as they were informed by the financial institution that it has reached a resolution with the securities regulators of the US to buy back ABS from its clients by January 2009. The Board is of the opinion that the ABS did not have a material adverse impact on the Group's liquidity and consolidated financial performance.

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 31 December 2008, pledged bank deposits amounting to US$7.9 million (2007: US$9.8 million) and ABS amounting to US$68.1 million (2007: US$nil) were pledged with banks as security for certain banking facilities.

Exposure To Foreign Exchange Risk

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in 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 31 December 2008, the capital commitments of the Group amounted to 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 13 to the financial statements, the Group had no significant contingent liabilities as at 31 December 2008.

Contingent Assets

As disclosed in Note 13, during the year, 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. The Group submitted an insurance claim of approximately US$3 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 recognised 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 31 December 2008, the Group had 1,844 employees (2007: 2,178). The total amount of salaries and related costs for the year ended 31 December 2008 amounted to US$12.1 million (2007: US$9.6 million).

Contribution to Vietnam's Society

The Group has been actively participating in and supporting various charity programmes. As a part of the Group's philanthropic efforts in 2008, the Group supported initiatives relating to new construction projects in rural areas, education and public welfare.

With an objective of improving the transportation network in rural areas in Vietnam, the Group began an initiative in 2006 in relation to the construction of bridges in Vietnam. By March 2008, 100 bridges were constructed in connection with this initiative. This initiative not only provided rural local residents with a more convenient and safe transportation network, it also helped to boost the development of the local economy. In 2008, the Group also offered assistance to over 10,000 underprivileged people by providing educational grants to students in need and basic necessities to the poor, as well as granting medical subsidies to the needy.

In response to the earthquake in Sichuan which occurred in May 2008, the Group made cash donations to support the reconstruction of damaged areas.

Prospects

In light of the continued dedication of the Vietnamese government to stimulate the country's economic growth and enhance its competitiveness, the Group is optimistic about the medium-term outlook of Vietnam's general economic conditions and its motorbike industry in particular. Motorbikes remain the dominant preferred mode of transport in Vietnam due to an absence of any sophisticated public transport system as well as poor public road networks throughout the country.

Faced with a challenging economic environment ahead, the Group will continue to implement prudent business strategies for its future development with the aim of consolidating its leading position in the motorbike manufacturing industry in Vietnam. To capture greater business opportunities, the Group will also put forth greater efforts to develop and introduce new scooter models, targeting different consumer market segments in order to broaden its product portfolio and strengthen market penetration.

The Group's new research and development centre in Dong Nai Province is currently under construction and is expected to commence operations in 2009. This approximately 300,000 square metres facility will include a test-drive circuit for motorbikes and other motor vehicles along with the latest emissions testing equipment. With this advanced equipment, the Group will be able to carry out advanced research projects, which shall further enhance the Group's research and development capabilities to meet the ever changing demands and needs of consumers.

In today's increasingly competitive market, brand value is vital to the success of any product. Looking ahead, the Group will strengthen its marketing efforts to enhance their overall brand image. In addition, the Group will implement stringent cost control measures to improve operational efficiency as well as strengthen its distribution network in both Vietnam and throughout the ASEAN region. Leveraging on over 15 years of extensive experience in the Vietnam scooter business, the Group remains well poised and confident to reap the rewards of ample business opportunities currently available throughout the ASEAN region.

Capitalising on its strengths coupled with its comprehensive future plans, the Group is confident that it will achieve good results and maximise returns to the shareholders (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 31 December 2008, such net proceeds were utilised in the following manner:

	Per prospectus *(US$'million)*	Amount utilised *(US$'million)*	Balance as at 31 December 2008 *(US$'million)*
Construction of research and development centre in Vietnam	15.0	4.8	10.2
Expansion of distribution channels in Vietnam, including:			
• Upgrade of existing facilities	4.0	3.7	0.3
• Establishment 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	12.9	63.8

The unutilised balance of such net proceeds was placed in available-for-sale financial assets with a reputable financial institution. For further details, please see the paragraph above headed, "Liquidity and Financial Resources".

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, having considered, amongst other things, the findings of reviews and/or audits conducted by 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 as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year ended 31 December 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 the Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2008.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 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.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of US$0.0026 per share (equivalent to HK$0.02 per share) for the year ended 31 December 2008 which is expected to be paid on or before 14 May 2009 to the Shareholders whose names appear on the register of members of the Company at the close of business on 6 May 2009, subject to final approval at the annual general meeting (the "Annual General Meeting") of the Company to be held on 13 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6 May 2009 to 13 May 2009 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30p.m. on 5 May 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 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 FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.vmeph.com. The annual report 2008 of the Company will also be published on the aforesaid websites in due course.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting will be held on 13 May 2009. Notice of the Annual General Meeting will be published and issued to the Shareholders 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, 30 March 2009

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.

For the purpose of this announcement, amounts denominated in US$ have been converted into HK$ at an exchange rate of US$1.00 : HK$7.75 (where relevant).