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 2009

Financial Highlights :			**(expressed in US$'million)**
	Six months ended 30 June		
	2009	**2008**	**change**
• **Total revenue**	**91.1**	**134.3**	**- 32%**
• **Gross profit**	**18.6**	**36.1**	**- 48%**
• **Net profit after tax**	**4.0**	**16.5**	**- 76%**
• **Earnings per share (US$)**	**0.004**	**0.018**	**- 78%**
	At 30 June	**At 31 December**	
	2009	**2008**	
• **Cash and bank balances**	**93.4**	**60.3**	
• **Available-for-sale financial assets**	**24.8**	**75.6**	

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 2009 together with the comparative figures for the immediately preceding financial year.

Consolidated Income Statement

For the six months ended 30 June 2009 - unaudited

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

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009- unaudited

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

Consolidated Balance Sheet

At 30 June 2009-unaudited

	Note	At 30 June 2009 *US$*	At 31 December 2008 *US$*
Non-current assets			
Property, plant and equipment	6	41,907,985	41,327,729
Intangible assets		138,330	185,779
Lease prepayments		3,024,682	3,135,565
Goodwill		8,751	8,751
Investment in an equity accounted investee		830,871	773,767
Time deposit		3,000,000	-
Deferred tax assets		1,239,446	1,129,035
		50,150,065	46,560,626
Current assets			
Inventories		25,672,816	33,654,233
Trade receivables, other receivables and prepayments	7	16,897,200	19,046,202
Income tax recoverable		-	866,615
Available-for-sale financial assets	8	24,835,311	75,558,351
Pledged bank deposits		5,415,960	7,916,395
Time deposits maturing after three months		38,831,875	4,902,562
Cash and cash equivalents		46,128,299	47,439,732
		157,781,461	189,384,090
Total assets		207,931,526	235,944,716
Current liabilities			
Trade and other payables	9	25,924,437	22,281,596
Interest-bearing borrowings		7,068,363	39,794,029
Income tax payables		618,024	33,409
Provisions		1,369,767	1,786,124
		34,980,591	63,895,158
Net current assets		122,800,870	125,488,932
Total assets less current liabilities		172,950,935	172,049,558
Non-current liabilities			
Interest-bearing borrowings		31,941	44,703
		31,941	44,703
Net assets		172,918,994	172,004,855

Consolidated Balance Sheet *(Continued)*

At 30 June 2009-unaudited

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

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 2008 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The interim financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets.

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

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

2. REVENUE & SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of IFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

- Manufacture and sales of spare parts and engines: the Group manufacture engines for use in the Group's motorbikes, but the Group also exports engines to third parties. The Group manufactures parts for use in repair servicing and product assembly.

- Mould and repair service: the Group manufactures and maintains moulds used for making metal parts, for example, by die casting and pressing. The majority of the Group's moulds are specially made for internal use, producing parts for the Group's products. However, the Group also manufactures a small number of moulds for external sale to its domestic suppliers and to domestic manufacturers unrelated to the production of parts for the Group's products.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

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

2. REVENUE AND SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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

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

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

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

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

2. REVENUE AND SEGMENT REPORTING *(Continued)*

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

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

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

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

2. REVENUE AND SEGMENT REPORTING *(Continued)*

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

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

3. PROFIT BEFORE INCOME TAX

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

(a) Finance income and expense

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

(b) Staff cost

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

3. PROFIT BEFORE INCOME TAX

(c) Other items

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

4. INCOME TAX EXPENSE
Recognised in the income statement

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

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

Diluted earnings per share

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

6. PROPERTY, PLANT AND EQUIPMENT

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

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

7. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

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

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

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

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

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

(i) Assets-backed securities

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

(ii) Mutual funds

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

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

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

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

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

9. TRADE AND OTHER PAYABLES

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

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

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

10. CONTINGENT ASSET/LIABILITY

Contingent asset

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

Contingent liability

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

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

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

BUSINESS REVIEW

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

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

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

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

FINANCIAL REVIEW

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

REVENUE

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

COST OF SALES

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

DISTRIBUTION EXPENSES

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

TECHNOLOGY TRANSFER FEES

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

ADMINISTRATIVE EXPENSES

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

PROFIT FROM OPERATING ACTIVITIES

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

NET FINANCE INCOME

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

PROFIT FOR THE PERIOD AND PROFIT MARGIN

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

PLEDGE OF ASSETS

As at 30 June 2009, pledged bank deposits amounting to US$5.4 million (*31 December 200*8: US$7.9 million and assets-backed securities US$68.1 million) were pledged with banks as security for certain banking facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnam Dong or US dollars. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures. The Vietnam Dong has been depreciating since April 2008, but the Vietnam government has managed to stabilise it by adopting stringent fiscal and monetary measures. The reform of the Vietnam Dong exchange rate regime benefited the Group as a whole as the revenue from the business operations of the Group is mainly denominated in Vietnam Dong.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2009, the capital commitments of the Group amounted to US$ 8.4 million *(31 December 2008: US$11.0 million),* which will all be paid off using the proceeds from the initial public offering ("IPO") of the shares of the Company in connection with its listing on the main board of the Stock Exchange and cash generated from the Group's operations.

Other than the contingent liability set out in note 10, the Group had no significant contingent liabilities as at 30 June 2009.

CONTINGENT ASSET

As disclosed in Note 10, a fire broke out in one of VMEP's factories and has resulted in losses to the Group's inventories and property, plant and equipment in September 2008. The Group submitted an insurance claim of approximately US$3 million in September 2008 for the losses. Up to the date of issue of this announcement, 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 30 June 2009, the Group had 1,725 employees (30 June 2008: 2,161). The total amount of salaries and related costs for the six months ended 30 June 2009 amounted to US$5.3 million (six months ended 30 June 2008: US$6.6 million).

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

PROSPECTS

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

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

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

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

APPLICATION OF IPO PROCEEDS

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

	Per Prospectus US$' million	Amount Utilized US$' million	Balances as at 30-Jun-09 US$' million
Construction of research and development centre in Vietnam	15.0	7.5	7.5
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	–	46.0
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	15.9	60.8

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

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company. Having made specific enquiry, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the six months ended 30 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The interim results for the six months ended 30 June 2009 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM DIVIDEND

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.vmeph.com. The 2009 interim report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

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

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

Hong Kong, 18 August 2009

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