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)

Annual Report 2011

“Attila Elizabeth EFI” Scooter

Uy Ban Nhan Dan Thanh Pho Ho Chi Minh
People's Committee of Ho Chi Minh City

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chang Kwang Hsiung *(Chairman)*
Mr. Wang Ching Tung (appointed as Chief Executive Officer from 16 November 2011)
Mr. Chou Ken Yuan (appointed from 3 January 2012)
Mr. Yu Wen Lung (appointed from 3 January 2012)
Mr. Lou Hen Wen (resigned as Chief Executive Officer and Executive Director from 16 November 2011)
Mr. Lee Hsi Chun (resigned from 3 January 2012)

Non-executive Directors

Mr. Chiang Shih Huang
Mr. Chiu Ying Feng (appointed from 3 January 2012)
Mr. Liu Wu Hsiung Harrison (resigned from 3 January 2012)

Independent Non-executive Directors

Ms. Lin Ching Ching
Mr. Wei Sheng Huang
Mr. Shen Hwa Rong (appointed from 22 August 2011)
Mr. Hsu Nai Cheng Simon (resigned from 23 May 2011)

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Shing
Mr. Yu Wen Lung (appointed from 3 January 2012)
Mr. Lee Hsi Chun (resigned from 3 January 2012)

AUDIT COMMITTEE

Ms. Lin Ching Ching *(Chairman)*
Mr. Wei Sheng Huang
Mr. Shen Hwa Rong (appointed from 22 August 2011)
Mr. Hsu Nai Cheng Simon (resigned from 23 May 2011)

REMUNERATION COMMITTEE

Mr. Wei Sheng Huang (Chairman)
Ms. Lin Ching Ching (appointed from 22 August 2011)
Mr. Wang Ching Tung (appointed from 3 January 2012)
Mr. Hsu Nai Cheng Simon (resigned from 23 May 2011)
Mr. Lee Hsi Chun (resigned from 3 January 2012)

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Shing

AUDITORS

KPMG

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE

Section 5, Tam Hiep Ward, Bien Hoa City,
Dong Nai, Vietnam

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2106, 21/F, Technology Plaza
651 King's Road, North Point
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

PRINCIPAL BANKERS

Vietcom Bank
The Hongkong and Shanghai Banking Corporation Limited
Asia Commercial Bank

STOCK CODE

422

WEBSITE AND CONTACT

www.vmeph.com
Tel: (852)25621692
Fax: (852)25621691

Financial Summary

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for the last five financial years.

	Years ended 31 December				
	2011	2010	2009	2008	2007
	US$'M	*US$'M*	*US$'M*	*US$'M*	*US$'M*
RESULTS					
Revenue	**270.2**	246.9	217.7	216.8	259.7
Gross profit	**47.4**	58.7	54.1	48.1	67.2
Profit from operating activities	**11.9**	25.3	23.0	4.7	30.6
Profit before income tax	**22.1**	31.4	25.4	12.1	34.9
Profit attributable to equity holders	**17.2**	25.1	21.3	8.0	31.0
Earnings per share *(US$)* [(1)]	**0.019**	0.028	0.023	0.009	0.04
ASSETS AND LIABILITIES					
Total assets	**206.9**	209.7	220.6	235.9	252.7
Total liabilities	**31.5**	42.0	53.3	63.9	62.7
Net assets	**175.4**	167.7	167.3	172.0	190.0
Equity attributable to equity holders	**175.4**	167.7	167.3	172.0	189.5
Return on equity *(%)*	**10.0**	15.0	12.6	4.4	19.8
Current ratio *(times)* [(2)]	**5.2**	4.0	3.3	3.0	3.3
Gearing ratio *(%)* [(3)]	**0.2**	0.7	4.8	23.2	7.1

Note:

1. The calculation of earnings per share for the years ended 31 December 2008, 2009, 2010 and 2011 are based on the profit attributable to shareholders and the weighted average number of ordinary shares in issue (i.e. 907,680,000 shares) during the year. The calculation of basic earnings per share for the year ended 31 December 2007 is based on the profit attributable to shareholders for the respective year and on the assumption that 732,000,000 shares were deemed to have been issued or issuable throughout the relevant period, comprising 58,560,000 shares in issue as at the date of the prospectus of the Company and 673,440,000 shares to be issued pursuant to the capitalisation issue.

2. Current ratio is calculated by dividing current assets by current liabilities.

3. Gearing ratio is equal to total interest-bearing borrowings divided by total equity times 100%.

Chairman's Statement

On behalf of the board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company", and with its subsidiaries, collectively the "Group"), I wish to sincerely to extend my appreciation to each shareholder for his support to the Company. I hereby present with pleasure the annual report of the Company and its subsidiaries for the year ended 31 December 2011.

During the year under review, the effects of the European debt crisis and global economic uncertainties caused the financial crisis in various countries. Meanwhile, with currency depreciation and an overall economic slowdown in Vietnam, the Group confronted numerous challenges in the past year. Vietnam's domestic motorbike industry continued to grow at a steady pace in 2011 which led to continuous expansion plans by motorbike manufacturers. However, the growth of motorbike sales have been slowed down which led to early market saturation and put oversupply pressure on Vietnam's motorbike market.

Facing the challenging industry prospects and global economic conditions, the Company proactively seized opportunities by capitalizing on its competitive advantages, and adjusted its future development strategy in the face of headwinds. The Group is a leading motorbike manufacturer in Vietnam, with years of experience and numerous advantages in market intelligence, research and development strengths and an extensive sales network. The Group recorded a sustainable profit for the year 2011. Revenue and profit attributable to equity holders of the Company amounted to US$270.2 million and US$17.2 million respectively, and basic earnings per share for the year was US$0.019. The Board has recommended the payment of a final dividend of US$0.0057 per ordinary share of the Company in respect of the year ended 31 December 2011. As at the balance sheet date, the Group had cash equivalents and bank balances amounted to US$111.1 million. The financial condition of the Group is sound and we have the capabilities to develop our business further in the future.

The Group possesses diverse lines of motorbike products under the SYM and SANDA brand names in order to meet the demands of a wide consumer base. In order to increase its market share in the industry, the Group had a total of 331 SYM brand dealership stores covering all Vietnam's provinces in 2011. The Group introduced six upgraded motorbike models to strengthen the existing product portfolio, including the Attila brand for ladies and flagship brands with larger engines to cater to different customer groups, so that every customer can find suitable products. Meanwhile, new models are being equipped with the latest electronic fuel injection technolgy to improve performance and reduce pollution.

The Group gained recognitions from customers by its high quality products over the years, and strive to enhance the quality of products and production process. In 2011, the Group won "Vietnam Top 100 Product Service" and "2010 Civilized Entity". The Group has also obtained the "Vietnam 2010 Famous Brand", which was presented by Vietnam Trade and Industry Department and selected by consumers. On the other hand, the Group has obtained ISO 14001:2004 and ISO 14001:2010 qualifications, which strengthened the confidence of customers towards our motorbike products.

Looking forward, the Group will take full advantage of its independent research and development capacity to reinforce product competitiveness and reduce production costs. At the same time, we will actively tap into markets in ASEAN and nearby countries, including Korea, Thailand, Myanmar and Cambodia, to expand sales in overseas markets. Despite the difficulties and challenges, under the leadership of the new team, the Group will continue to seize opportunities, boost productivity, upgrade technology, enhance operating efficiency and competitiveness to increase our profit.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all our employees for their dedication and contribution to the Group, as well as to all our business partners for their support and trust throughout the past year. We will strive to promote our business development throughout the coming year to maximize returns to our shareholders.

By order of the Board
Chang Kwang Hsiung
Chairman

Hong Kong, 19 March, 2012

Management Discussion & Analysis

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

OPERATION ENVIRONMENT

The global economy started the year with return of uncertainties. The European debt crisis had deep impacts on countries around the world, causing the global economic downturn. Vietnam was also affected by external environment, while the pressure from inflation of the past several years continued to grow. To combat inflation-induced devaluation of the Vietnamese Dong, the Vietnam government has adopted monetary tightening policies and encouraged exports to reduce the deficit balance of trade.

Through the joint efforts of the Vietnam government and its central bank, Vietnam largely maintained macro-economic stability and reasonable economic growth, while its domestic motorbike industry continued to grow at a steady pace. According to statistics from the Vietnam General Statistics Office, the gross domestic product (GDP) increased by 5.9% in 2011 and the consumer price index (CPI) reached 18.6%. The number of motorbikes sold in 2011 was approximately 3.70 million units, representing an increase of 10% over the previous year. The exchange rate for Vietnamese Dong against US$ was US$ 1: VND 19,500 as at 31 December 2010, depreciating by 7.88% to US$ 1: VND 21,036 as at 31 December 2011. The rate maintained at approximately US$ 1: VND 20,790 in the middle of March 2012, which has been getting more stable recently.

Facing the intense competition within the industry and continuous growth, the Company is well positioned to seize existing market opportunities and make great strides amidst the current market environment by virtue of years of experience and dedicated effort.

BUSINESS REVIEW

During the financial year of 2011, the Group has achieved successful execution of its business strategy of providing high performance products and high value added services to its high quality demand customers. For the year ended 31 December 2011, an aggregate of approximately 220,000 units (of which approximately 138,000 units and 82,000 units are scooters and cubs respectively) were sold by the Company in Vietnam.

The challenge to the Group was to improve operational efficiency, cost control and the pricing power of our products to maintain margins, while also to keep sales momentum on an upward trend to enlarge our market share. During the year under review, the costs of materials, components, wages and salaries increased by double digits. Given such a competitive market environment, the management opted for adjusting sales prices gradually rather than shifting all the additional costs to consumers immediately. As a result, our operating profit grew slower than sales revenue. To minimise the negative effects on business from rising costs due to inflation, the Group continuously strengthened its bargaining power for material & components purchases through increased local sourcing. In addition, in order to adapt to current market trends, the Group introduced new models featuring electronic fuel injection technology for quality upgrading and integration. Such technology offers outstanding advantages in fuel saving and environmental protection, but the addition of imported components also added pressure to the overall cost.

The Group strived in building its product sales network, aiming to achieve customer loyalty by constant expansion across Vietnam and implementing flexible marketing strategies. As of 31 December 2011, the Group's extensive distribution network comprised over 331 SYM-authorised stores owned by dealers, covering every province in Vietnam.

As the Company's overseas target markets, major ASEAN countries witnessed satisfying economic performance. Future economic growth is expected to be stable, with their motorbike markets in particular growing relatively fast. The Group will continue to penetrate its business into ASEAN markets (such as Malaysia, the Philippines and Thailand), and focus its future strategic planning in this direction. For the year ended 31 December 2011, the Company exported a total of 44,000 motorbikes to ASEAN countries (mainly the Philippines, Malaysia, Thailand, Indonesia, Singapore, Myanmar and Brunei), representing a growth of 20% over the previous year.

Management Discussion & Analysis

FINANCIAL REVIEW

Revenue increased 10% from US$246.9 million for the year ended 31 December 2010 to US$270.2 million for the year ended 31 December 2011, and the Group's net profit after tax was US$17.2 million for the year ended 31 December 2011 as compared with US$25.1 million for the year ended 31 December 2010.

REVENUE

Revenue of the Group for the year ended 31 December 2011 increased to US$270.2 million from US$246.9 million for the year ended 31 December 2010, representing an increase of US$23.3 million or 10%. This increase was due to stable domestic demand in Vietnam during the year. The Group's domestic sales quantities of scooters increased by 8% for the year ended 31 December 2011 as compared with the year ended 31 December 2010, while overall sales quantities also increased from approximately 235,000 units for the year ended 31 December 2010 to 264,000 units for the year ended 31 December 2011, representing an increase of 12% over the comparative periods. Sales of scooters continued to be the Group's major profit driver which accounting for 68% of total sales, and the principal models were ATTILA- ELIZABETH、ELEGANT、ANGEL and JOYRIDE.

In terms of geographical contribution, approximately 89% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2011. Domestic sales in Vietnam increased 9% from US$220.0 million for the year ended 31 December 2010 to US$240.7 million for the year ended 31 December 2011. Due to the increase in the overseas markets demands, export sales increased by US$2.6 million during the year of 2011. The quantity of engines exported increased by approximately 9,000 units from approximately 25,000 units for the year ended 31 December 2010 to approximately 34,000 units for the year ended 31 December 2011.

COST OF SALES

The cost of sales mainly composed of materials and components costs, direct labour and manufacturing overheads, etc. The Group's cost of sales increased by 18%, from US$188.2 million for the year ended 31 December 2010 to US$222.9 million for the year ended 31 December 2011. Such increment was primarily due to the increase in labour costs in Vietnam, costs of materials and components particularly those sourced locally and rising import costs of advance technology components like electronic fuel injection enginees attributed to foreign currencies appreciation against Vietnamese Dong. The Group has increased the usage of components sourced locally, and reduced cost of new models through re-design and improved technology development, etc. To mitigate the adverse impact on its operations, the Group focused on maintaining stringent controls over its operating costs. As a percentage of total revenue, the Group's cost of sales slightly increased from 76% for the year ended 31 December 2010 to 82% for the year ended 31 December 2011.

GROSS PROFIT AND GROSS PROFIT MARGIN

Despite the increases of materials, components and labor costs and devaluation of Vietnamese Dong as discussed above, the gross profit of the Group decreased by 19%, from US$58.7 million for the year ended 31 December 2010 to US$47.4 million for the year ended 31 December 2011. In between such comparative periods, however, the Group's gross profit margin has slightly decreased from 24% to 18%.

DISTRIBUTION EXPENSES

The distribution expenses mainly included warranty, advertising, dealers sales incentives, delivery charges to distributors and other sales related expenses. The Group's distribution expenses increased by 6%, from US$15.2 million for the year ended 31 December 2010 to US$16.2 million for the year ended 31 December 2011. Such increment was mainly due to the increases in advertising expenses and delivery charges, as these were the marketing strategies adopted by the Group to increase its market share in a competitive market.

TECHNOLOGY TRANSFER FEES

The technology transfer fees increased by 7%, from US$6.5 million for the year ended 31 December 2010 to US$6.9 million for the year ended 31 December 2011. Such increment was largely due to an increase in the sales volume of SYM- branded motorbikes particularly scooters.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses slightly decreased by 1%, from US$13.0 million for the year ended 31 December 2010 to US$12.9 million for the year ended 31 December 2011, which accounting for 5% of the Group's total revenue for the year ended 31 December 2011. This decrease was mainly attributable to the reduction of repair and maintenance, testing charges and oversea travelling expenses which offset the increase of staff salaries and related costs.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's profit from operating activities decreased by 53%, from US$25.3 million for the year ended 31 December 2010 to US$11.9 million for the year ended 31 December 2011.

NET FINANCIAL INCOME

The Group's net financial income increased by 71%, from US$5.8 million for the year ended 31 December 2010 to US$10.0 million for the year ended 31 December 2011. Such increment was mainly attributable to a significant increase in the Group's interest income from deposits placed with banks in Vietnam with higher rates amounted to US$10.1 million. Exchange losses regarding the deterioration of exchange rate of the Vietnamese Dong against the US$ decreased from US$1.5 million for the year ended 31 December 2010 to US$0.1 million for the year ended 31 December 2011.

PROFIT FOR THE YEAR AND PROFIT MARGIN

As a result of the factors discussed above, the Group's profit for the year, after income tax, decreased by 32%, from US$25.1 million for the year ended 31 December 2010 to US$17.2 million for the year ended 31 December 2011, and the Group's net profit margin has decreased from 10% to 6%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group's net current assets amounted to US$133.6 million (31 December 2010: US$125.1 million) which consisted of current assets amounting to US$165.1 million (31 December 2010: US$167.1 million) and current liabilities amounting to US$31.5 million (31 December 2010: US$42.0 million).

As at 31 December 2011, the interest-bearing borrowings repayable within one year was US$0.4 million which was denominated in US$ (31 December 2010: US$1.1 million which was denominated in US$). As at 31 December 2011, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2010: US$Nil). As at 31 December 2011, the gearing ratio was 0.2% (31 December 2010: 0.7%) calculated by dividing total interest-bearing borrowings by total equity.

As at 31 December 2011, the cash and bank balances (including bank deposits), amounted to US$111.1 million, mainly including US$52.8 million which was originally denominated in Vietnamese Dong, US$51.6 million which was denominated in US$ and US$6.7 million which was originally denominated in RMB, NTD and IDR (31 December 2010: US$129.8 million, mainly including US$80.1 million which was originally denominated in Vietnamese Dong, US$47.1 million which was denominated in US$ and US$2.6 million which was originally denominated in HK$, NTD and IDR).

As at 31 December 2011, the Group had investment, i.e. 100% principal-protected US$ digital capital protected notes, amounted to US$3.0 million (31 December 2010: US$Nil).

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

EXPOSURE TO 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 Vietnamese Dong or US$. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2011, the capital commitments of the Group in respect of relocation and construction of a new factory amounted to US$22.7 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. The Group had no significant contingent liabilities as at 31 December 2011.

Management Discussion & Analysis

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia and Hong Kong, and regularly reviews its remuneration packages in 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 2011, the Group had 2,230 employees (2010: 2,210). The total amount of salaries and related costs for the year ended 31 December 2011 amounted to US$14.1 million (2010: US$13.3 million).

PROSPECTS

Vietnam has emerged as the new highlight among Asian economies as the disposable income of Vietnam citizens continues to rise. The Group believes that Vietnam's economic development will grow steadily following the Vietnam government's adoption of proactive and effective policies to combat inflation. The motorbike industry in Vietnam is driven by rural development, road construction and the increasing consumer power of the people, and the overall motorbike market is on course to reach four million units per annum. As for the major ASEAN countries, motorbike markets there also continued to maintain fast growth, driven by positive economic conditions. Enormous opportunities are brought by the booming motorbike market, competing manufacturers in this sector therefore increasing investment and expanding capacity, resulting in fierce competition. Based on the situation discussed above, the Group has determined to put "Quality Strengthening, Sales Network Expansion and Service Innovation" as core strategy to meet the challenges in 2012.

The Group has designated 2012 to be a year for all-round quality improvement. Towards that end, the Group has conducted a series of activities in selected months to raise awareness of quality among all employees and enhance the quality of products, sales, service and management. Moreover, the Group has established a system to improve quality and reduce costs by rationalising projects, improving teamwork and integrating performance evaluations. The Group is also increasing its bargaining power by expanding its network of suppliers and procurement sources, thus lowering procurement costs. The Group will continue to exploit in-house research and development advantages while introducing a new generation of electronic fuel injection technology, and enhance the products' market strength and cost effectiveness by applying value analysis and value engineering techniques. To consolidate gains in the female market, the Group is also refashioning major models, namely ATTILA -ELIZABETH. Meanwhile, the electronic fuel injection engine was added to the SHARK model to increase sales of niche products to male customers. New models will be introduced from time to time in different geographic markets to promote motorbike sales.

With respect to marketing in general, we will continue to vigorously increase our points of sale and enhance our stores based on market channel stocktaking and quantitative analysis. Meanwhile, the productivity of our agents will be enhanced through promotional activities and incentive schemes. The Group has maintained overseas sales growth for years, with annual increases in sales volume. The Group will expand the successful model applied in Philippines and Malaysia to other ASEAN regions. Additionally, the Group has formulated a new customer care policy and launched an innovative service approach. The Group will conduct a comprehensive review of its innovation planning with respect to systems, technology, maintenance service components, maintenance service points and service activities, striving to satisfy our customers' demand by reliable, convenient and considerate service.

In accordance with the Hanoi Government's overall urbanisation plan, the Group will relocate its plant to a new location in Hanoi. The new plant is expected that the construction will be completed and will commence operations by 2013. The plan to redevelop the original plant site is under preliminary internal evaluation only and specific schedule has yet to be assessed.

Under the guidance of the new management team, the Directors are dedicated to delivering a unified corporate culture that will best serve the Group's interests. New directors, having previously taken important positions in the Group's sales and research and development departments, are now deemed to be responsible for the Group's stable future growth by virtue of their professional experience. The management believe that, while the Group experienced stable development in 2011, 2012 will be a challenging year, but also one full of opportunities. Given the Group's top research and development capability and healthy financial position, the Group believes satisfying results will be delivered and the Company's shareholders will be provided by maximum returns through the strategies discussed above.

The management is optimistic that the Group is able to sustain a continuous growth of the Group's business in 2012 and beyond. This coupled with our first-class research and development capabilities and healthy financial position, will enable the Group to achieve robust performance in the coming years. The Group is confident that it will achieve good results and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the issuance of new shares by the Company in December 2007, net of listing expenses, were approximately US$76.7 million. As at 31 December 2011, the net proceeds were utilized in the following manner:

	Per Prospectus	**Amount Utilized**	**Balances as at 31 December 2011**
	US$' million	*US$' million*	*US$' million*
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

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

CORPORATE GOVERNANCE PRACTICES

Having considered, amongst other things, the findings of reviews and/or audits conducted by independent professional parties, the Board is satisfied that 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 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

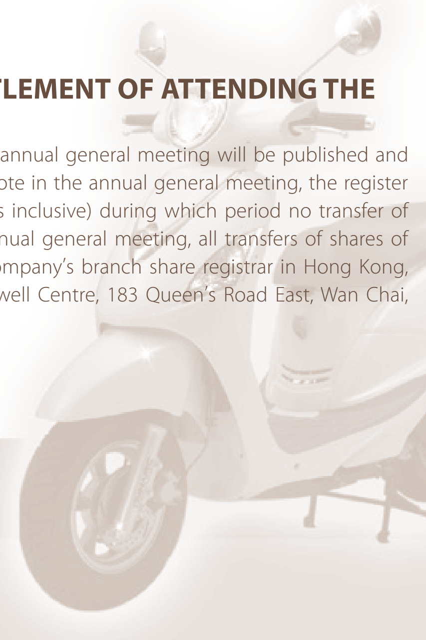
The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2011.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The annual results for the year ended 31 December 2011 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

ANNUAL GENERAL MEETING AND BOOK CLOSURE FOR ENTITLEMENT OF ATTENDING THE MEETING

It is proposed that an annual general meeting will be held on 30 May 2012. Notice of the annual general meeting will be published and issued to the Shareholders in due course. For determining the entitlement to attend and vote in the annual general meeting, the register of members of the Company will be closed from 28 May 2012 to 30 May 2012 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for the attendance of the annual general meeting, 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 4:30 p.m. on 25 May 2012.



PROPOSED FINAL DIVIDEND AND BOOK CLOSURE FOR ENTITLEMENT OF THE PROPOSED DIVIDEND

The Board has recommended the payment of a final dividend of US$0.0057 equivalent to HK$0.04 per ordinary share of the Company in respect of the year ended 31 December 2011 to shareholders of the Company whose names appear on the register of members of the Company on 8 June 2012. Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 30 May 2012, the final dividend will be paid on or about 22 June 2012.

In order to qualify for the above mentioned final dividend, the register of members of the Company will be closed from 6 June 2012 to 8 June 2012 (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 4:30 p.m. on 5 June 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2011, 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 2011 of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

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

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

Hong Kong, 19 March 2012

Corporate Governance Report

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") is always committed to maintaining high standards of corporate governance. During the year ended 31 December 2011, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to The Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 regarding securities transactions by directors ("Directors") of the Company. Having made specific enquiry of all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code for the year ended 31 December 2011.

THE BOARD OF DIRECTORS

The Board has a balance of skill and experience and a balanced composition of executive and non-executive Directors and is responsible for the oversight of the management of the Group's business and affairs. The Board has delegated the day-to-day operational responsibilities to the executive Directors and senior management of the Company.

The Board members for the year ended 31 December 2011 were:

Executive Directors

Mr. Chang Kwang Hsiung *(Chairman)*
Mr. Lou Hen Wen (resigned as Chief Executive Officer and Executive Director from 16 November 2011)
Mr. Wang Ching Tung (appointed as Chief Executive Officer from 16 November 2011)
Mr. Lee Hsi Chun (resigned from 3 January 2012)

Non-executive Directors

Mr. Chiang Shih Huang
Mr. Liu Wu Hsiung Harrison (resigned from 3 January 2012)

Independent non-executive Directors

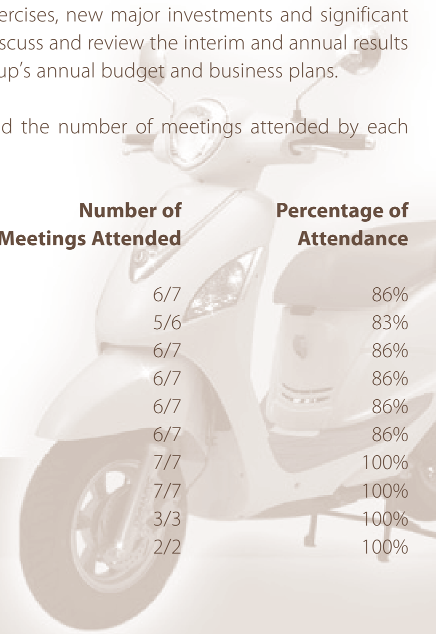
Ms. Lin Ching Ching
Mr. Wei Sheng Huang
Mr. Hsu Nai Cheng Simon (resigned from 23 May 2011)
Mr. Shen Hwa Rong (appointed from 22 August 2011)

The biographical details of all Directors are set out in the "Directors and Senior Management Profile" section set out on pages 15 to 17 of this annual report.

A Board meeting is held at least quarterly, and more frequently as and when business or operational needs arise. Board meetings are also held whenever necessary to discuss various corporate matters including corporate exercises, new major investments and significant changes in regulatory requirements that affect the Group. Board meetings are also held to discuss and review the interim and annual results of the Group for announcement to the Stock Exchange, and to discuss and approve the Group's annual budget and business plans.

There were seven (7) Board meetings held during the year ended 31 December 2011 and the number of meetings attended by each Director was as follows:

Name of Directors	Number of Meetings Attended	Percentage of Attendance
Mr. Chang Kwang Hsiung	6/7	86%
Mr. Lou Hen Wen	5/6	83%
Mr. Wang Ching Tung	6/7	86%
Mr. Lee Hsi Chun	6/7	86%
Mr. Chiang Shih Huang	6/7	86%
Mr. Liu Wu Hsiung Harrison	6/7	86%
Ms. Lin Ching Ching	7/7	100%
Mr. Wei Sheng Huang	7/7	100%
Mr. Hsu Nai Cheng Simon	3/3	100%
Mr. Shen Hwa Rong	2/2	100%



Board and committee minutes are recorded in appropriate detail and are kept by the company secretary of the Company. Draft minutes are circulated to Directors for comment within a reasonable period of time after each meeting and the final version is open for the Directors' inspection. If necessary, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expense. The Board shall resolve to provide the Directors with access to independent professional advice to assist the Directors to discharge their duties. The Company has received annual written confirmations from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the Code, the roles of the chairman and the chief executive officer of the Company should be separated and should not be performed by the same individual. The chairman and chief executive officer of the Company are Mr. Chang Kwang Hsiung and Mr. Wang Ching Tung respectively, while Mr. Lou Hen Wen was the chief executive officer until he resigned from 16 November 2011. The roles and responsibilities of the chairman and the chief executive officer of the Company are separated so as to ensure a balance of power and authority. This balance ensures that all matters brought before the Board are fully and objectively discussed, taking into account the interests of shareholders ("Shareholders") of the Company as a whole, including in particular, those of minority Shareholders.

NON-EXECUTIVE DIRECTORS

In line with Code Provision A.4.1 of the Code, the non-executive Directors are appointed for a specific term, subject to re-election at an annual general meeting of the Company in accordance with the articles of association of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee ("Remuneration Committee") which consists of two independent non-executive Directors and one non-executive Director. The members of the Remuneration Committee for the year ended 31 December 2011 were Mr. Wei Sheng Huang (Chairman), Mr. Lee Hsi Chun and Ms. Lin Ching Ching. Mr. Hsu Nai Cheng Simon was a member of the Remuneration Committee until he resigned on 23 May 2011 and was replaced by Ms. Lin Ching Ching from 22 August 2011 onwards.

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management of the Company. The Remuneration Committee's authorities and duties are set out in written terms of reference. During the year ended 31 December 2011, the Remuneration Committee met on two (2) occasions where all members attended. The agenda for each meeting was prepared to deliberate on, review and recommend to the Board the remuneration packages of the executive Directors and senior management of the Company. Each Director abstained from discussing his/her own remuneration.

The terms of reference of the Remuneration Committee are aligned with the relevant provisions under the Code. The primary duties of the Remuneration Committee include:

(a) considering the Company's policy and structure of remuneration of the Directors and senior management of the Company;
(b) determining the specific remuneration packages of the executive Directors and senior management of the Company;
(c) to recommend for the Board's approval the remuneration of the non-executive Directors of the Company;
(d) reviewing performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
(e) reviewing the compensation payable to the executive Directors and senior management of the Company in connection with any loss or termination of their office or appointment; and
(f) reviewing compensative arrangements relating to dismissal or removal of Directors for misconduct.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which consists of three independent non-executive Directors. The members of the Audit Committee for the year ended 31 December 2011 were Ms. Lin Ching Ching (Chairman), Mr. Wei Sheng Huang and Mr. Shen Hwa Rong. Mr. Hsu Nai Cheng Simon was a member of the Audit Committee until he resigned on 23 May 2011 and was replaced by Mr. Shen Hwa Rong from 22 August 2011 onwards.

During the year ended 31 December 2011, the Audit Committee met on two (2) occasions where all members attended. The agenda for each meeting was prepared to ensure that each of the Audit Committee's responsibilities was discharged. In addition, the Audit Committee received comprehensive reports from the management team and the internal and external auditors for the meetings held.

The terms of reference of the Audit Committee are aligned with the relevant provisions set out in the Code. The primary duties of the Audit Committee include:

(a) considering the appointment of external auditors and any questions of resignation or dismissal;
(b) discussing with external auditors before the audit commences, the nature and scope of the audit;
(c) reviewing half-year and annual financial statements before submission to the Board;
(d) discussing problems and reservations arising from the audits, and any matters the external auditors may wish to discuss; and
(e) considering and reviewing the Company's system of internal controls.

NOMINATION OF DIRECTORS

During the year ended 31 December 2011, the Company did not have a Nomination Committee as the roles and functions of such a committee as recommended in the Code are performed by the Board collectively. The chairman of the Company reviewed the composition of the Board from time to time with particular regard to ensuring that there is an appropriate number of Directors on the Board who are independent of management.

AUDITOR'S REMUNERATION

The fees in relation to the audit services provided by Messrs. KPMG, the external auditors of the Company, for the year ended 31 December 2011 amounted to US$472,851 (2010: US$454,531).

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the Company and its subsidiaries (the "Group") keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group. The Directors are also responsible for ensuring that the preparation of the financial statements of the Company and the Group for the relevant accounting periods are in compliance with applicable statutory and regulatory requirements and that such financial statements give a true and fair view of the state of affairs, the results of operations and cashflows of the Company and the Group. In preparing the financial statements of the Company and the Group for the year ended 31 December 2011, suitable accounting policies have been adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue in business. The financial statements of the Company and the Group for the reporting year have been prepared on a going concern basis.

INTERNAL CONTROLS

The Board has overall responsibility for the effectiveness of the internal control systems of the Group and monitors such internal control systems through the internal audit department of the Group. The internal audit department of the Group reviews the material controls of the Group on a continuous basis and aims to cover all major operations of the Group on a cyclical basis. Overall, internal audits are designed to provide the Board with reasonable assurance that the internal control systems of the Group are sound and effective.

SAFEGUARDING THE INTERESTS OF INDEPENDENT SHAREHOLDERS

Mechanisms are in place to safeguard the interests of independent Shareholders in the decision making process in relation to (i) the deed of non-competition ("Deed of Non-competition") dated 26 November 2007 and entered into between Sanyang Industry Co., Limited, Mr. Huang Shi Hui, the executive and non-executive Directors (collectively, the "Covenantors") and the Company and (ii) the continuing connected transactions entered into by the Group, as described below.

DEED OF NON-COMPETITION

The independent non-executive Directors are to review whether or not to pursue or decline any investment or other commercial opportunity referred to the Company by any of the Covenantors under the Deed of Non-competition.

Each of the Covenantors declares that it/he/she has complied with the Deed of Non-competition. Having made specific enquiries with all of the Covenantors, the independent non-executive Directors confirmed the Covenantors' compliance with the Deed of Non-competition.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions entered into by the Group are based on normal commercial terms, are in the ordinary and usual course of business of the Group and are conducted on a fair and reasonable basis.

The independent non-executive Directors review the terms of the continuing connected transactions entered into by the Group on an annual basis to ensure that the terms of such transactions are in the best interests of the Company and its Shareholders as a whole.

The Company's external auditors, Messrs. KPMG, reviews the continuing connected transactions entered into by the Group on an annual basis and provides a letter to the Board confirming (i) the matters set out in Rule 14A.38 of the Listing Rules and (ii) that the amounts for the relevant continuing connected transactions have not exceeded the relevant proposed annual caps.

Details of the continuing connected transactions entered into by the Group during the year ended 31 December 2011 are set out on pages 22 to 23 of this annual report.

INVESTOR AND SHAREHOLDERS RELATIONS

The Board recognises the importance of maintaining clear, timely and effective communication with the Shareholders and the Company's investors. The Board also recognises that effective communication with the Company's investors is the key to establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the Company's investors and the Shareholders are receiving accurate, clear, comprehensive and timely information relating to the Group via the publication of annual reports, interim reports, press announcements, and also via the Company's website at www.vmeph.com.

The Board continues to maintain regular dialogue with institutional investors and analysts to keep them informed of the Group's strategies, operations, management and plans. The Directors and the committee members are available to answer questions through an annual general meeting of the Company. External auditors are also available at such annual general meeting to address Shareholders' queries. Separate resolutions are proposed at such annual general meeting on each substantially separate issue.

SHAREHOLDERS' RIGHT

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. CHANG Kwang Hsiung (張光雄), aged 71, was appointed as an executive Director in August 2007 and as the chairman of the Company in November 2007. He is also the director of three subsidiaries of the Group, namely, Vietnam Manufacturing and Export Processing Co., Limited ("VMEP"), Chin Zong Trading Co., Ltd. ("Chin Zong") and PT Sanyang Industri Indonesia (PT Sanyang). Mr. Chang joined VMEP in February 1993 as general director and was the chairman of VMEP from May 1993 to September 1999. Mr. Chang has over 40 years of experience in the motorbike manufacturing industry in Vietnam and Taiwan. Mr. Chang was awarded the third level of Labor Model for National Excellent Manufacturing Operation Activities by the Vietnam government in 2000. Mr. Chang graduated from the National Taipei University of Technology with a bachelor's degree in mechanical engineering in 1962.

Mr. LOU Hen Wen (羅恒文), aged 57, was appointed as an executive Director and the chief executive officer of the Company with effect from 1 January 2010. Mr. Lou was also appointed as the general manager and director of VMEP, chairman of Vietnam Casting Forge Precision Limited ("VCFP"), director of Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM"), chairman of Duc Phat Molds Inc. ("Duc Phat"), and director of Chin Zong. Mr. Lou resigned from above positions with effect from 16 November 2011 due to health reason. Mr. Lou joined Sanyang Industry Co., Ltd. ("Sanyang") in 1982 and has about 30 years of experience in the related fields of motorcycle engineering. Mr Lou graduated from National Tsing Hua University of the Republic of China with a bachelor's degree in engineering (1976) and a master's degree in engineering from the National Taiwan University of Science and Technology (1982).

Mr. WANG Ching Tung (王清桐), aged 47, was appointed as an executive Director in August 2007 and the chief executive officer of the Company in November 2011. Mr. Wang is also the general manager and director of VMEP. Mr. Wang joined VMEP in February 1993 and since then, he has worked in the sales department of VMEP. In 2002, Mr. Wang was appointed as the head of the sales department of VMEP and became the vice general director of the sales and marketing department of VMEP in 2006. He was also appointed as a director of VMEP in November 2007. He has over 20 years of experience in motorbike sales and marketing. Prior to joining the Group, he worked in the administration department of Sanyang. Mr. Wang graduated from the National Cheng Kong University in Taiwan with a bachelor's degree in industrial design in 1987.

Mr. LEE Hsi Chun (李錫村), aged 57, was appointed as an executive Director in August 2007 and a member of the remuneration committee of the Company in January 2011. Mr. Lee resigned from above positions with effect from 3 January 2012 due to retirement. Mr. Lee joined the Group in May 1997 and has worked in the administration and financial departments of VMEP. He was appointed as the head of such departments in 2002 and as a director of VMEP in November 2007. Prior to joining the Group, he joined Sanyang in 1980 and has acquired over 30 years of experience in the fields of administration, human resources and sales in the motorbike industry. Mr. Lee graduated from the Chung Yuan Christian University in Taiwan with a bachelor's degree in business administration in 1977.

Mr. Yu Wen Lung (游文龍), aged 45,was appointed as the chief financial officer of the Company from April 2011 and an executive Director in January 2012. Mr. Yu joined the Group in August 2005 and has been appointed as the finance manager or the head of the finance department of various subsidiaries of the Group, including VMEP, VCFP and Duc Phat. Mr. Yu joined Sanyang Group from September 1991 to August 2005 and served as a senior officer or supervisor in the finance and accounting departments of various group companies of Sanyang Group. Mr. Yu has over 20 years of experience in the finance and accounting area majority of which was acquired through his work experience at Sanyang Group and the Group. Mr. Yu graduated from Soochow University in Taiwan with a bachelor's degree in accounting in 1989.

Mr. Chou Ken Yuan (周根源), aged 56, was appointed as an executive Director with effect from 3 January 2012. Mr. Chou was also appointed as the chairman of VMEP, VCFP and Duc Phat and a director of VTBM. Mr. Chou joined Sanyang Group since October 1980 and was mainly responsible for business expansion, production and sales of Sanyang Group. Mr. Chou served as a senior officer, general manager or Executive Vice President in various departments, including production departments, sales and product relationship departments and business operation departments, of various group companies of Sanyang Group from October 1980 to December 2011. Mr. Chou was also appointed as a director of various group companies of Sanyang Group. Mr. Chou has over 30 years of experience in the motor vehicle industry acquired through his work experience at Sanyang Group. Mr. Chou graduated from Chung Yuan Christian University in Taiwan with a bachelor's degree in industrial engineering and administration in 1978.

Directors and Senior Management Profile

Non-Executive Directors

Mr. LIU Wu Hsiung Harrison (劉武雄), aged 47, was appointed as a non-executive Director in November 2007, he was resigned from 3 January 2012 due to his decision to devote more time to his other career developments. Mr. Liu joined the Group in 1996 and worked in the sales department of VMEP. He has about 15 years of experience in trading and export sales of motorbikes and related parts. Mr. Liu is also the vice general director of the overseas business division of Sanyang and is responsible mainly for the export strategy and business of the Sanyang Group. He is also a director of various subsidiaries of Sanyang and a company in India which is listed on the Bombay Stock Exchange and in which Sanyang has a 10.29% interest. Mr. Liu graduated from Feng Chia University in Taiwan with a bachelor's degree in international trade in 1986.

Mr. Chiang Shih-Huang (江世煌), aged 64, was appointed as a non-executive Director with effect from 1 January 2011. Mr. Chiang is also a director and the general manager of Sanyang. He also sits on the boards of various subsidiaries of Sanyang in the PRC and Vietnam, which engage in the manufacturing of motorbikes (namely, Sanyang Global Co., Ltd., Xia Shing Motorcycle Co., Ltd., Xia Shing Xiamen Motorcycle Co., Ltd., Xiamen King Long United Automotive Industry Co., Ltd., Zhangjiagang Jiyang Engineering Industry Co., Ltd. and Sanyang Vietnam Automobile Co., Ltd.). He has over 30 years of experience in the motor vehicle industry and the majority of which was acquired through his working experience in Sanyang and its affiliated companies. Mr. Chiang graduated from Chung Yuan Christian University in Taiwan with a bachelor's degree in industrial engineering and administration in 1979.

Mr. Chiu Ying Feng (邱穎峰), aged 51, was appointed as a non-executive Director from 3 January 2012. Mr. Chiu has joined Sanyang Group since July 1987 and he is currently the Deputy Vice President of the research and development division of Sanyang. Mr. Chiu was mainly responsible for product research and development and has served as a senior officer or manager in the research and developments, and product planning divisions of Sanyang. Mr. Chiu has over 24 years of experience in the motor vehicle industry which was acquired through his work experience at Sanyang Group. Mr. Chiu graduated from National Taiwan University with a bachelor's degree in mechanical engineering in 1987.

Independent Non-Executive Directors

Ms. LIN Ching Ching (林青青), aged 47, was appointed as an independent non-executive Director in November 2007 and a member of the remuneration committee of the Company from 22 August 2011. She is the chairman of the audit committee of the Company. Ms. Lin has over 20 years of experience in the finance industry and has held senior financial management positions in various companies, including Deloitte & Touche, Corporate Finance Co., Ltd. and Citibank, N.A., Taipei. Ms. Lin graduated from Eastern Michigan University with a master's degree in business administration in 1991 and graduated from Fu-Jen Catholic University in Taiwan with a bachelor's degree in accounting in 1987.

Mr. WEI Sheng Huang (魏昇煌), aged 59, was appointed as an independent non-executive Director in November 2007. He is the chairman of the remuneration committee of the Company and a member of the audit committee of the Company Mr. Wei has over 20 years of experience in the manufacture of motor car parts and related industries. Mr. Wei is the president of Minth Technique Corporation, a company which was established in Taiwan in 1991 and which specialises in the manufacture and sale of motor car parts. Mr. Wei obtained a master's degree in business administration from Hofstra University in 1988 and graduated from the University of Cincinnati in 1981 with a master's degree in computer engineering. Mr. Wei graduated from National Chiao Tung University in Taiwan with a bachelor's degree in electro physics in 1974.

Mr. HSU Nai Cheng Simon (徐乃成), aged 51, was appointed as an independent non-executive Director in November 2007, he was also a member of the remuneration committee and the audit committee of the Company. Mr. Hsu resigned from above positions from 23 May 2011. Mr. Hsu is the chairman and chief executive officer of e-commerce Logistics Group and the chief executive officer of Sino Resources Mining Corporation Limited. He is also an executive vice chairman of United Pacific Industries Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (stock code: 176). Mr. Hsu is a director of TransGlobe Life Insurance Inc. and the chairman of it's parent company, Chung Wei Yi Company Limited, in Taiwan. Mr. Hsu has over 20 years of executive experience in companies based in the Asia-Pacific region and the United States of America with international clientele in basic industries and finance. Mr. Hsu graduated from the California State University at Northridge with a bachelor's degree in business administration in 1983.

Mr. SHEN Hwa Rong (沈華榮), aged 61, was appointed as our independent non-executive director and a member of the audit committee on 22 August 2011. Mr. Shen is an academic specialised in finance and business administration and is currently the chairman of the Department of Finance of Yuanpei University, an independent director of Sinonar Corporation and also the president of Environment Management Accounting Network-Taiwan. Mr. Shen has over 30 years of teaching and working experience with different universities, governmental and commercial sector. Mr. Shen graduated from the Shoochow University in Taiwan with a bachelor's degree in business administration in 1972, He also obtained a master's degree in business administration from the University of Central Oklahoma in the United States In 1980 and a doctorate degree in business administration from the National Chiao Tung University in Taiwan In 1992.

SENIOR MANAGEMENT

Mr. CHIANG Ping Hui（江炳輝）, aged 44, is the deputy vice president of product planning division of VMEP. Mr. Chiang joined the Group in 1995 and has over 15 years of experience in the motorbike industry. Mr. Chiang graduated from the Tamshui Institute of Business Administration in Taiwan with a bachelor's degree in international trade in 1990.

Mr. TSAI Yu Tsai（蔡有財）, age 54, is the head of the production department of VMEP and general director of Duc Phat. Mr. Tsai joined the Group in 1999 and has over 30 years of experience in the production of motorbikes. Mr. Tsai graduated from the Kai Nan High School of Commerce and Industry in Taiwan with a degree in mechanical engineering in 1973.

Mr. TSAI Yu Shu（蔡有書）, aged 49, is the deputy vice president of service and spare parts division of VMEP. Mr. Tsai joined the Group in 2002 and has over 25 years of experience in the production and sales of motorbikes. Mr. Tsai graduated from the National Taiwan University of Science and Technology with a bachelor's degree in chemical engineering in 1983.

Mr. WU Hsin Yu（巫信裕）, aged 50, is the general director of PT Sanyang. Mr. Wu joined PT Sanyang in 2003 and has over 20 years of experience in the production of motorbikes. Mr. Wu graduated from the National Taipei University of Technology with a bachelor's degree in mechanical engineering in 1984.

Mr. CHANG Tu Hsuan（張督玄）, aged 55, is deputy vice president of the research and development center project department of VMEP. Mr. Chang joined the Group in 2006 and has over 25 years of experience in the research and development of new motorbike products. Mr. Chang graduated from the National Taiwan University of Science and Technology with a bachelor's degree in mechanical engineering in 1980.

Mr. CHEN Chien Hsiang（陳建祥）, aged 50, is the general director of VCFP. Mr. Chen joined the Group in 2007 and has over 20 years of experience in the production of motorbikes. Mr. Chen graduated from the National Taipei University of Technology with a bachelor's degree in mining and metallurgy in 1981.

Mr. LEE Tao Huang（李道煌）, aged 47, is the head of the overseas marketing department of VMEP and general director of Chin Zong. Mr. Lee joined the Group in 2007 and has over 20 years of experience in the marketing and sale of motorbikes. Mr. Lee graduated from Soochow University in Taiwan with a bachelor's degree in mathematics in 1986.

Mr. CHAING Chi Shuan（江吉釧）, aged 53, is the deputy vice president of research & development center of VMEP. Mr. Chiang joined the Group in November 2011 and has over 26 years of experience in the research and development of motorbikes. Mr. Chiang graduated from the National Chiao Tung University in Taiwan with a master's degree in mechanical engineering in 1983.

Mr. CHEN Fu Yuan（陳富源）, aged 50, is the deputy vice president of domestic marketing division. Mr. Chen joined the Group in November 2011 and has over 25 years of sales experience in the motorbike industry. Mr. Chen graduated from Soochow University in Taiwan with a bachelor's degree in business administration in 1984.

Mr. CHANG Te Chiu（張德秋）, aged 48, is the deputy vice president of purchasing business division of VMEP. Mr. Chang joined the Group in November 2011 and has over 24 years of experience in production, development and sales of motorbikes. Mr. Chang graduated from Tunghai University in Taiwan with a bachelor's degree in industrial engineering and administration in 1985.

Mr. CHAN Chi Shing（陳志成）, aged 51, is the qualified accountant and company secretary of the Company. Mr. Chan joined the Group in 2007 and has over 20 years of experience in the fields of audit and accounting. Mr. Chan obtained a Higher Certificate in Accountancy from the Hong Kong Polytechnic University in 1987 and is a member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The directors ("Directors") of the Company present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in note 17 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 26 to 76 of this annual report. The Board has recommended the payment of a final dividend of US$0.0057 equivalent to HK$0.04 per ordinary share of the Company in respect of the year ended 31 December 2011 to shareholders of the Company whose names appear on the register of members of the Company on 8 June 2012. Subject to approval of the shareholders at the forthcoming annual general meeting to be held on 30 May 2012, the final dividend will be paid on or about 22 June 2012.

FINANCIAL SUMMARY

A financial summary of the results and the balance sheet of the Group for the last five financial years is set out on page 3 on this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

BANK LOANS

Details of bank loans are set out in note 24 to the financial statements.

SHARE CAPITAL

Details of movements in the Group's share capital during the year are set out in note 27 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company or the Companies Laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders ("Shareholders") of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and suppliers of the Group contributed to less than 30% of the total operating revenues and purchases, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

None of the Directors or any of their associates or any Shareholder (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) has any interest in any of the Group's five largest customers and five largest suppliers.

DIRECTORS

The Directors during the year were:

Executive Directors:

Mr. Chang Kwang Hsiung
Mr. Lou Hen Wen (resigned as Chief Executive Officer and Executive Director from 16 November 2011) *
Mr. Wang Ching Tung (appointed as Chief Executive Officer from 16 November 2011)
Mr. Lee Hsi Chun (resigned from 3 January 2012) *

Non-executive Directors:

Mr. Chiang Shih Huang
Mr. Liu Wu Hsiung Harrison (resigned from 3 January 2012)*

Independent non-executive Directors:

Madam Lin Ching Ching
Mr. Wei Sheng Huang
Mr. Hsu Nai Cheng Simon (resigned from 23 May 2011)
Mr. Shen Hwa Rong (appointed from 22 August 2011)

* *With effect from 3 January 2012, Mr. Chou Ken Yuan and Mr. Yu Wen Lung were appointed as executive Directors and Mr. Chiu Ying Feng was appointed as non-executive Director to take up those vacancies.*

Having received annual written confirmations from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Company considers each independent non-executive Director to be independent.

Pursuant to article 87 of the articles of association of the Company, one third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation at each annual general meeting provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management Profile" in this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the board (the "Board") of Directors with reference to the pay scale applicable to directors of listed companies. Details of the Directors' remuneration are set out in note 7 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies, was a party during the year.

SHARE OPTION SCHEME

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

During the year ended 31 December 2011, share options were granted to eligible full-time employees and qualified participants pursuant to the terms of the share option scheme of the Company adopted on 24 November 2007.

Details of such grant of share options are as follows:

	Number of share options				
	Outstanding at 1 January 2011	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31 December 2011**
Directors:					
Mr. Chang Kwang Hsiung	498,000	–	–	–	498,000
Mr. Lee Hsi Chun	398,000	–	–	–	398,000
Mr. Wang Ching Tung	398,000	–	–	–	398,000
Mr. Liu Wu Hsiung Harrison	413,000	–	–	–	413,000
	1,707,000	–	–	–	1,707,000
Employees	5,147,000	–	–	(1,485,000)	3,662,000
Sub-total	6,854,000	–	–	(1,485,000)	5,369,000
Other qualified participants	6,658,000	–	–	(153,000)	6,505,000
Total	13,512,000	–	–	(1,638,000)	11,874,000

The share options to subscribe for 20,000,000 ordinary shares of the Company in aggregate were granted on 4 February 2008. The fair value of options granted is approximately at an average of HK$0.88 per share on the basis of the binominal model. The significant inputs into the model were the closing price of the shares of the Company at the date of grant of HK$2.9 per share, the annual risk-free interest rate of approximately 2.6%, an expected option life of approximately five years, expected volatility of 55% and an annual dividend yield of 7%. The amortised fair value of the share options for the year ended 31 December 2011 amounting to approximately US$18,038 (2010: US$207,479) was charged to the income statement.

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

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN UNDERLYING SHARES

As at 31 December 2011, the interests or short positions of the Company's Directors, chief executives and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code were as follows:

Long position in ordinary shares and underlying shares of the Company

Name of Director	Capacity	Nature of interest	Number of ordinary shares of the Company held	Interests in underlying shares of the Company pursuant to share options	Approximate percentage of the Company's total issued share capital
Mr. Chang Kwang Hsiung	Beneficial owner	Personal	50,000	498,000	0.06%
Mr. Wang Ching Tung	Beneficial owner	Personal	–	398,000	0.04%
Mr. Lee Hsi Chun	Beneficial owner	Personal	–	398,000	0.04%
Mr. Liu Wu Hsiung Harrison	Beneficial owner	Personal	–	413,000	0.05%

Save as disclosed above, as at 31 December 2011, none of the Company's Directors, chief executive and their associates (including their spouse and children under 18 years of age) had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As far as the Directors are aware, as at 31 December 2011, the following persons (who are not Directors) had interests or short positions in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interest	Number and class of securities	Approximate percentage of interest in the Company's total issued share capital
SY International Ltd ("SYI") *(Note 1)*	Corporate interest	608,318,000 Shares	67.02%
Sanyang Industry Co., Ltd. ("Sanyang") *(Note 1)*	Interest in a controlled corporation	608,318,000 Shares	67.02%

Notes:

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

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, none of the Directors were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 29 to the consolidated financial statements of the Group also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules. During the year, the Group entered into the following continuing connected transactions with Sanyang (an indirect substantial shareholder of the Company), its subsidiaries or associates (as the case may be) (other than the Group), including Vietnam Three Brothers Machinery Industry Company Limited ("VTBM"), Sanyang Global Co., Ltd. ("Sanyang Global") and Hanoi Full Ta Precision Company Limited ("Full Ta"):

1. Purchase of motorbike parts by the Group from Sanyang pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total consideration in relation to such purchase agreement for the year ended 31 December 2011 was US$21,232,894 (2010: US$8,882,518).

2. Purchase of motorbike parts by the Group from VTBM pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and VTBM. The total consideration in relation to such purchase agreement for the year ended 31 December 2011 was US$5,355,381 (2010: US$4,296,635).

3. Sale of motorbike parts by the Group to Sanyang and its associates (excluding the Group) pursuant to a sales agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total consideration in relation to such sales agreement for the year ended 31 December 2011 was US$682,814 (2010: US$893,317).

4. Licensing of technology, know-how, trade secrets and production information by Sanyang to Vietnam Manufacturing and Export Processing Co., Limited ("VMEP") pursuant to a technology licence agreement dated 26 November 2007 and entered into between VMEP and Sanyang. The total consideration in relation to such technology licence agreement for the year ended 31 December 2011 was US$6,899,833 (2010: US$6,455,056).

5. Licensing of trade marks by Sanyang to the Company pursuant to a trade marks licence agreement dated 26 November 2007 and entered into between the Company and Sanyang. The total consideration in relation to such trade marks licence agreement for the year ended 31 December 2011 was US$1 (2010: US$1).

6. Provision of research and development and technical support services by Sanyang and its associates (excluding the Group) to the Group pursuant to a research and development and technical support services agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total consideration in relation to such research and development and technical support services agreement for the year ended 31 December 2011 was US$834,501 (2010: US$717,133).

7. The engagement of the Company as the exclusive distributor of motorbikes and related parts manufactured by Sanyang and its associates (excluding the Group) in the Exclusive Territory (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes) pursuant to a distributorship agreement (the "Distributorship Agreement") dated 9 November 2009 and entered into between the Company and Sanyang. The total consideration in relation to the purchases of motorbikes and related parts by the Group from Sanyang and/or its associates (excluding the Group) pursuant to such distributorship agreement for the year ended 31 December 2011 was US$12,883,870 (2010: US$9,538,244).

8. Purchase of motorbike parts by the Group from Sanyang Global pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and Sanyang Global. The total consideration in relation to such purchase agreement for the year ended 31 December 2011 was US$9,495,208 (2010: US$7,105,699).

9. Purchase of production machinery, moulds and equipment by the Group from Sanyang, its subsidiaries and/or associates (as the case may be) (excluding the Group) pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total consideration in relation to such purchase agreement for the year ended 31 December 2011 was US$603,673 (2010: US$852,285).

10. Purchase of motorbike parts by the Group from Full Ta pursuant to a purchase agreement dated 28 March 2011 and entered into between the Company and Full Ta. The total consideration in relation to such purchase agreement for the year ended 31 December 2011 was US$124,737 (2010: US$Nil).

For the financial year ended 31 December 2011, the total actual transaction amount for each of the abovementioned continuing connected transactions as compared with the relevant annual caps for the year ended 31 December 2011 is set out in the table below.

	For the financial year ended 31 December 2011	
Continuing connected transaction	**Actual transaction amount**	**Annual cap**
	US$	*US$*
Purchase of motorbike parts by the Group from Sanyang	21,232,894	21,600,000
Purchase of motorbike parts by the Group from VTBM	5,355,381	6,000,000
Purchase of motorbike parts by the Group from Sanyang Global	9,495,208	9,500,000
Purchase of motorbike parts by the Group from Full Ta	124,737	1,600,000
Sales of motorbike parts by the Group to Sanyang and its associates (excluding the Group)	682,814	3,130,000
Licensing of technology, know-how, trade secrets and production information by Sanyang to VMEP	6,899,833	11,000,000
Licensing of trade marks by Sanyang to the Company	1	N/A
Provision of research and development and technical support services by Sanyang and its associates (excluding the Group) to the Group	834,501	1,000,000
Purchase of motorbikes and related parts by the Group from Sanyang and/or its associates (excluding the Group) pursuant to the Distributorship Agreement	12,883,870	13,000,000
Purchase of production machinery, moulds and equipment by the Group from Sanyang, its subsidiaries and/or associates (excluding the Group)	603,673	3,300,000

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the transactions of the Group to assist the Directors to evaluate whether:

- the transactions have received the approval from the Board;
- the transactions were in accordance with the pricing policies of the Group where the transactions involved the provision of goods and services by the Group;
- the transactions have been entered into in accordance with the relevant agreements governing the transactions; and
- the value of the transactions carried out pursuant to each of the agreements relating to the continuing connected transactions of the Company during the year have not exceeded the relevant annual cap for such transactions.

The auditors of the Company have performed procedures in respect of the transactions in accordance with the Hong Kong Standards on Related Services 4400 "Engagements to perform agreed-upon procedures regarding financial information" and guidances issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have reported their factual findings on these procedures to the Board. The independent non-executive Directors have reviewed the transactions and the findings and confirmed that the transactions are:

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on information publicly available to the Company, there is sufficient public float as required by the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CORPORATE GOVERNANCE PRACTICES

The Company and its Directors confirm that, to the best of their knowledge, 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 Listing Rules for the financial year ended 31 December 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by Directors. Having made specific enquiry, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2011.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2011.

AUDITORS

A resolution to re-appoint Messrs. KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chang Kwang Hsiung
Chairman

Hong Kong, 19 March, 2012

Independent Auditor's Report

Independent auditor's report to the shareholders of
Vietnam Manufacturing and Export Processing (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on the pages 26 to 76, which comprise the consolidated and Company balance sheets as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

19 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 US$	2010 US$
Revenue	5	**270,234,336**	246,886,124
Cost of sales		**(222,869,292)**	(188,150,201)
Gross profit		**47,365,044**	58,735,923
Other income	6	**545,590**	1,879,016
Distribution expenses		**(16,163,278)**	(15,186,776)
Technology transfer fees	29(a) (iv)	**(6,899,833)**	(6,455,056)
Administrative expenses		**(12,915,391)**	(13,012,847)
Other expenses		**(40,698)**	(638,459)
Results from operating activities		**11,891,434**	25,321,801
Finance income		**10,081,397**	7,412,393
Finance expenses		**(114,325)**	(1,586,604)
Net finance income	7(c)	**9,967,072**	5,825,789
Share of profits of an equity accounted investee		**211,065**	213,196
Profit before income tax	7	**22,069,571**	31,360,786
Income tax expenses	8	**(4,915,908)**	(6,250,621)
Profit for the year		**17,153,663**	25,110,165
Attributable to:			
Equity holders of the Company		**17,153,663**	25,110,165
Non-controlling interests		**–**	–
Profit for the year		**17,153,663**	25,110,165
Other comprehensive income/(loss) for the year (after fax):			
Exchange differences on translation of financial statements of overseas subsidiaries		**(9,416,863)**	(5,097,557)
Total comprehensive income for the year		**7,736,800**	20,012,608
Earnings per share			
– basic	12	**0.019**	0.028
– diluted	12	**0.019**	0.028

The notes on pages 31 to 76 form part of these financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in Note 10.

Consolidated Balance Sheet

At 31 December 2011

	Note	2011 US$	2010 US$
Assets			
Property, plant and equipment	13	**34,328,919**	40,814,779
Intangible assets	14	**147,557**	164,283
Lease prepayments	15	**6,652,976**	679,702
Investment in an equity accounted investee	16	**710,756**	771,005
Deferred tax assets	25(b)	**7,602**	178,489
Total non-current assets		**41,847,810**	42,608,258
Inventories	18	**39,495,162**	26,742,020
Trade receivables, other receivables and prepayments	19	**11,461,058**	10,572,687
Income tax recoverable	25(a)	**10,628**	15,548
Investments	20	**3,000,000**	–
Derivatives		**15,000**	–
Time deposits maturing after three months	21	**45,204,411**	13,606,410
Cash and cash equivalents	22	**65,896,469**	116,147,982
Total current assets		**165,082,728**	167,084,647
Total assets		**206,930,538**	209,692,905
Liabilities			
Trade and other payables	23	**28,616,578**	37,237,014
Interest-bearing borrowings	24	**410,549**	1,125,966
Income tax payables	25(a)	**674,481**	1,698,142
Provisions	26	**1,809,934**	1,967,625
Total current liabilities		**31,511,542**	42,028,747
Total liabilities		**31,511,542**	42,028,747
Net current assets		**133,571,186**	125,055,900
Total assets less current liabilities		**175,418,996**	167,664,158
Net assets		**175,418,996**	167,664,158
Equity			
Paid-in capital	27(a)	**1,162,872**	1,162,872
Reserves	27(b)	**174,256,124**	166,501,286
Total equity attributable to equity holders of the Company		**175,418,996**	167,664,158
Total liabilities and equity		**206,930,538**	209,692,905

Approved and authorised for issue by the Board of Directors on 19 March 2012.

WANG CHING TUNG
Director

YU WEN LUNG
Director

The notes on pages 31 to 76 form part of these financial statements.

Balance Sheet of the Company

At 31 December 2011

	Note	2011 US$	2010 US$
Assets			
Investment in subsidiaries	17	**65,909,383**	65,909,383
Total non-current assets		**65,909,383**	65,909,383
Trade receivables, other receivables and prepayments	19	**24,563,996**	66,529
Investments	20	**3,000,000**	–
Derivatives		**15,000**	–
Time deposits maturing after three months	21	**20,000,000**	13,000,000
Cash and cash equivalents	22	**21,831,841**	28,806,813
Total current assets		**69,410,837**	41,873,342
Total assets		**135,320,220**	107,782,725
Liabilities			
Other payables	23	**730,740**	798,218
Provisions	26	**292,788**	295,450
Total current liabilities/Total liabilities		**1,023,528**	1,093,668
Net current assets		**68,387,309**	40,779,674
Net assets		**134,296,692**	106,689,057
Equity			
Paid-in capital	27(a)	**1,162,872**	1,162,872
Reserves	27(b)	**133,133,820**	105,526,185
Total equity		**134,296,692**	106,689,057
Total liabilities and equity		**135,320,220**	107,782,725

Approved and authorised for issue by the Board of Directors on 19 March 2012.

WANG CHING TUNG
Director

YU WEN LUNG
Director

The notes on pages 31 to 76 form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company								
	Paid-in capital US$ Note 27(a)	Share premium US$ Note 27(b)(i)	Capital reserve US$ Note 27(b)(ii)	Exchange reserve US$ Note 27(b)(iii)	Statutory reserves US$ Note 27(b)(iv)	Retained profits US$	Total US$	Non-controlling interests US$	Total equity US$
At 1 January 2010	1,162,872	112,198,709	1,737,149	(11,931,543)	1,181	64,094,300	167,262,668	–	167,262,668
Profit for the year	–	–	–	–	–	25,110,165	25,110,165	–	25,110,165
Other comprehensive Income *(Note 11(a))*	–	–	–	(5,097,557)	–	–	(5,097,557)	–	(5,097,557)
Total comprehensive income for the year	–	–	–	(5,097,557)	–	25,110,165	20,012,608	–	20,012,608
Dividends *(Note 10)*	–	–	–	–	–	(19,818,597)	(19,818,597)	–	(19,818,597)
Equity-settled share-based payment *(Note 28)*	–	–	207,479	–	–	–	207,479	–	207,479
Appropriation of statutory reserves *(Note 27(iv))*	–	–	–	–	–	–	–	–	–
At 31 December 2010/ 1 January 2011	1,162,872	112,198,709	1,944,628	(17,029,100)	1,181	69,385,868	167,664,158	–	167,664,158
Profit for the year	–	–	–	–	–	17,153,663	17,153,663	–	17,153,663
Other comprehensive Income *(Note 11(a))*	–	–	–	(9,416,863)	–	–	(9,416,863)	–	(9,416,863)
Total comprehensive income for the year	–	–	–	(9,416,863)	–	17,153,663	7,736,800	–	7,736,800
Dividends *(Note 10)*	–	–	–	–	–	–	–	–	–
Equity-settled share-based payment *(Note 28)*	–	–	18,038	–	–	–	18,038	–	18,038
Appropriation of statutory reserves *(Note 27(iv))*	–	–	–	–	–	–	–	–	–
At 31 December 2011	1,162,872	112,198,709	1,962,666	(26,445,963)	1,181	86,539,531	175,418,996	–	175,418,996

The notes on pages 31 to 76 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	2011 *US$*	2010 *US$*
Cash flows from operating activities		
Profit for the year	**17,153,663**	25,110,165
Adjustments for:		
Share of profits of an equity accounted investee	**(211,065)**	(213,196)
Depreciation	**8,173,209**	8,178,713
Net interest and dividend income	**(9,868,598)**	(7,349,970)
Amortisation	**319,263**	131,305
Allowance for inventory impairment	**55,046**	417,321
Allowance for impairment of property, plant and equipment	**12,556**	478,921
Change in fair value of derivatives	**(15,000)**	–
Impairment of goodwill	**–**	8,751
Equity-settled share-based payment expenses	**18,038**	207,479
Gain on disposal/write off of property, plant and equipment (net)	**(114,432)**	(9,853)
Income tax expense	**4,915,908**	6,250,621
Operating profit before changes in working capital	**20,438,588**	33,210,257
Changes in working capital		
(Increase)/decrease in inventories	**(15,128,032)**	4,922,612
(Increase)/decrease in gross trade receivables, other receivables and prepayments	**(1,312,010)**	8,772,834
Decrease in trade and other payables	**(6,291,562)**	(2,525,602)
(Decrease)/increase in provisions	**(157,691)**	545,162
Cash generated from operating activities	**(2,450,707)**	44,925,263
Corporate income tax paid	**(5,670,778)**	(5,093,533)
Net cash generated from operating activities	**(8,121,485)**	39,831,730
Cash flows from investing activities		
Acquisition of property, plant and equipment, intangible assets and lease prepayments	**(11,120,234)**	(12,451,579)
Acquisition of financial assets	**(3,000,000)**	–
Proceeds from disposals of property, plant and equipment	**152,738**	65,730
Interest and dividends received	**9,986,511**	7,334,843
(Increase)/decrease in time deposits maturing after three months	**(32,274,256)**	8,941,253
Decrease in non-current time deposit	**–**	3,000,000
Proceeds from disposals of available-for-sale financial assets	**–**	8,361,213
Dividends received from an equity accounted investee	**158,862**	196,054
Net cash generated from investing activities	**(36,096,379)**	15,447,514
Cash flows from financing activities		
Decrease in pledged bank deposits	**–**	1,509,869
Proceeds from borrowings	**2,665,927**	8,336,470
Repayment of borrowings	**(3,315,367)**	(14,902,723)
Interest paid	**(29,672)**	(64,469)
Dividends paid	**–**	(19,818,597)
Net cash used in financing activities	**(679,112)**	(24,939,450)
Net increase in cash and cash equivalents	**(44,896,976)**	30,339,794
Cash and cash equivalents at the beginning of the year	**116,147,982**	89,301,938
Effect of foreign exchange rate changes	**(5,354,537)**	(3,493,750)
Cash and cash equivalents at the end of the year	**65,896,469**	116,147,982

The notes on pages 31 to 76 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY AND CORPORATE INFORMATION

Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") was incorporated in the Cayman Islands on 20 June 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries (collectively, the "Group") are principally engaged in manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued 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. A summary of the significant accounting policies adopted by the Group is set out in Note 3.

Up to the date of issue of these financial statements, the IASB has issued a number of IFRSs amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2011 and which have not yet been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, Consolidated financial statements Basis for conclusions on IFRS 10 Illustrative examples on IFRS 11	1 January 2013
IFRS 12, *Disclosure of interests in other entities* Basis for conclusions on IFRS 12	1 January 2013
IFRS13, *Fair value measurement* Basis for conclusions on IFRS13 Illustrative examples on IFRS 13	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendments to IFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014

2. BASIS OF PREPARATION (Continued)

(a) Statement of compliance (Continued)

	Effective for accounting periods beginning on or after
IFRS 9, *Financial instruments (2009)* Basis for conclusions on IFRS 9 (2009) Amendments to other IFRSs and guidance on IFRS 9 (2009)	1 January 2015
IFRS 9, *Financial instruments (2010)* Basis for conclusions on IFRS 9 (2010) Implementation guidance on IFRS 9 (2010)	1 January 2015
Amendments to IFRS 9, *Financial instruments and* IFRS 7 *Financial Instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that derivative financial instruments are stated at fair value as explained in the accounting policy *(see Note 3(c)(iv))*.

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 32.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates.

The Group has adopted US Dollar ("US$") as its presentation currency as the directors of the Company consider that presentation of the consolidated financial statements in US$ will facilitate analysis of the Group's financial information.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Group entities, except as explained in Note 4, which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses *(see Note 3(k)(ii))*.

(ii) Investment in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The cost of the investment includes the transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency (Continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US$ at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US$ at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. Such differences have been recognised in the exchange reserve. When a foreign operation is disposed of, in part or in full, the cumulative amount in the exchange reserve is reclassified to profit or loss as part of the profit or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such an item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the exchange reserve.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

- *Loans and receivables*

  Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

  Loans and receivables comprise investments, cash and cash equivalents, trade and other receivables.

- *Cash and cash equivalents*

  Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

(ii) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group has the following non-derivative financial liabilities: trade and other payables and interest-bearing borrowings.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

- *Separable embedded derivatives*
  Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

- *Other non-trading derivatives*
  When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(d) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses *(see Note 3(k)(ii))*.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour , any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

(iii) Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative periods are as follows:

•	buildings	8-30 years
•	machinery, moulds and equipment	2-16 years
•	office equipment, furniture and fittings	4-10 years
•	electrical, water and utility systems	5-10 years
•	motor vehicles	5-7 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(iv) Construction work in progress

Construction work in progress is stated at cost less impairment losses *(see Note 3(k)(ii))*. Cost comprises direct costs of construction during the period of construction and installation. The asset concerned is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed, at which time it commences to be depreciated in accordance with the Group's policy.

(f) Research and development expenses

Expenditure on research activities is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs *(see Note 3(s))*. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses *(see Note 3(k)(ii))*.

(g) Intangible assets

The cost of acquisition of software, which is not an integral part of related hardware, is capitalised and accounted for as an intangible asset. Software has a finite useful life and is amortised on a straight-line basis over 3 years from the date when it is ready for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Lease prepayments

Lease prepayments represent prepaid land lease rentals and related costs. Lease prepayments are carried at cost less amortisation and impairment losses *(see Note 3(k)(ii))*. Amortisation is charged to the profit or loss on a straight-line basis over the lease periods of 10-50 years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using a weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(k) Impairment

(i) Non-derivative Financial assets (including receivables)

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for security.

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories *(see Note (3)(j))* and deferred tax assets *(see Note (3)(q))*, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU/group of CGUs, and then to reduce the carrying amounts of the other assets in the CGU/group of CGUs, on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plan if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Severance pay allowance

The Group's net obligation in respect of severance pay is calculated by estimating the amount of benefits that employees have earned in return for their services in the current and prior periods. A provision is made for the estimated liability for severance pay calculated on this basis at each balance sheet date. The impact of discounting is immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits (Continued)

(iv) Share-based payment transactions

The fair value of share options granted to qualified participants is recognised as an administrative expense with a corresponding increase in the capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the qualified participants have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(m) Provisions and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services rendered

Revenue from mould and repair services is recognised in the profit or loss when services are rendered.

(iii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(o) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants that compensate the Group for expenses incurred are recognised as revenue in the profit or loss on a systematic basis in the same periods in which the expenses are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings. Borrowing costs *(see Note 3(s))* that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(q) Corporate income tax

Corporate income tax comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is legally enforceable rights to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to equity holder of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holder and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to qualified participants.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use of sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CHANGES IN ACCOUNTING POLICIES

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

- Improvements to IFRSs (2010)
- Revised IAS 24, *Related party disclosures*
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. *(see Note 2 (a))*

The amendments to IFRIC 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impacts of other developments are discussed below:

- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in Notes 24 and 34 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.
- IAS 24 revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

5. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. 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 presented the following three 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 including Malaysia, the Philippines, Brunei and Singapore.
- Manufacture and sales of spare parts and engines: the Group manufactures 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.
- Moulds and repair services: 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.

5. REVENUE AND SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, 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, time deposits maturing after three months, cash and cash equivalents, and other corporate assets. Segment liabilities include provisions, trade and other payables attributable to the manufacturing and sales activities of the individual segments with the exception of interest-bearing borrowings, income tax payables and other corporate liabilities.

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

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

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

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

	Year ended 31 December 2011			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Total** *US$*
Revenue from external customers	**240,560,976**	**29,561,532**	**111,828**	**270,234,336**
Inter-segment revenue	**2,482**	**94,859,433**	**1,535,067**	**96,396,982**
Reportable segment revenue	**240,563,458**	**124,420,965**	**1,646,895**	**366,631,318**
Reportable segment profits (Adjusted EBIT)	**7,967,981**	**6,362,244**	**231,672**	**14,561,897**
Interest income	**5,586,271**	**4,042,669**	**192,410**	**9,821,350**
Interest expense	**–**	**(29,672)**	**–**	**(29,672)**
Depreciation and amortisation for the year	**(4,567,276)**	**(3,815,286)**	**(109,910)**	**(8,492,472)**
Reportable segment assets	**57,053,583**	**35,201,395**	**1,109,377**	**93,364,355**
Reportable segment liabilities	**20,417,464**	**10,065,780**	**254,817**	**30,738,061**

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	Year ended 31 December 2010			
	Manufacture and sales of motorbikes	Manufacture and sales of spare parts and engines	Moulds and repair services	Total
	US$	*US$*	*US$*	*US$*
Revenue from external customers	219,296,620	27,441,235	148,269	246,886,124
Inter-segment revenue	–	89,291,138	1,585,820	90,876,958
Reportable segment revenue	219,296,620	116,732,373	1,734,089	337,763,082
Reportable segment profits (Adjusted EBIT)	17,180,831	11,161,091	373,721	28,715,643
Interest income	3,930,009	2,972,542	113,217	7,015,768
Interest expense	(101,385)	(84,850)	(866)	(187,101)
Depreciation and amortisation for the year	(4,523,419)	(3,674,967)	(111,632)	(8,310,018)
Reportable segment assets	47,436,652	32,382,132	1,152,673	80,971,457
Reportable segment liabilities	25,697,255	14,318,124	137,877	40,153,256

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

	2011	2010
	US$	*US$*
Revenue		
Reportable segment revenue	**366,631,318**	337,763,082
Elimination of inter-segment revenue	**(96,396,982)**	(90,876,958)
Consolidated revenue	**270,234,336**	246,886,124
Profit		
Reportable segment profit	**14,561,897**	28,715,643
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**14,561,897**	28,715,643
Net finance income	**9,967,072**	5,825,789
Share of profits of an equity accounted investee	**211,065**	213,196
Unallocated corporate expenses	**(2,670,463)**	(3,393,842)
Consolidated profit before income tax	**22,069,571**	31,360,786

5. REVENUE AND SEGMENT REPORTING (Continued)

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

	At 31 December 2011 US$	At 31 December 2010 US$
Assets		
Reportable segment assets	**93,364,355**	80,971,457
Elimination of inter-segment receivables	**(1,335,077)**	(1,886,026)
	92,029,278	79,085,431
Investment in an equity accounted investee	**710,756**	771,005
Investments and derivatives	**3,015,000**	–
Time deposits maturing after three months – current	**45,204,411**	13,606,410
Income tax recoverable	**10,628**	15,548
Cash and cash equivalents	**65,896,469**	116,147,982
Unallocated corporate assets	**63,996**	66,529
Consolidated total assets	**206,930,538**	209,692,905
Liabilities		
Reportable segment liabilities	**30,738,061**	40,153,256
Elimination of inter-segment payables	**(1,335,077)**	(1,945,198)
	29,402,984	38,208,058
Interest-bearing borrowings	**410,549**	1,125,966
Income tax payables	**674,481**	1,698,142
Unallocated corporate liabilities	**1,023,528**	996,581
Consolidated total liabilities	**31,511,542**	42,028,747

5. REVENUE AND SEGMENT REPORTING (Continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, goodwill and investment in an equity accounted investee ("specified non-current assets"). The geographical location of customers is based on the location where the goods were delivered to or where the services were provided. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations, in the case of investment in an equity accounted investee.

	Revenues from external customers		Specified non-current assets	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Vietnam (place of domicile)	**240,684,279**	219,951,085	**41,127,725**	41,657,406
Other countries*	**29,550,057**	26,935,039	**1,727**	1,358
	270,234,336	246,886,124	**41,129,452**	41,658,764

* *Other countries mainly consist of Malaysia, the Philippines, Brunei and Singapore.*

6. OTHER INCOME/LOSSES

In 2008, 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 resulted in losses to the Group's inventories of US$2,730,177 and losses to the Group's property, plant and equipment of US$238,754. The Group submitted an insurance claim of approximately US$3 million in September 2008, and received US$1 million in September 2009. During 2010, the Group received final insurance settlements totalling US$1,554,227, which are recognized in other income.

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

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

	2011	2010
	US$	*US$*
Salaries, wages and other benefits	**12,992,153**	12,122,971
Equity-settled share-based payment expenses	**10,532**	105,245
Contributions to defined contribution plans	**757,782**	645,706
Severance pay allowance *(Note 26)*	**322,348**	464,282
	14,082,815	13,338,204

7. PROFIT BEFORE INCOME TAX (Continued)

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

Description of the defined contribution plan

The Group participates in a defined contribution plan managed by the Vietnam government whereby the Group is required to make contributions to the plan, representing the employer's portion of social and health insurance contributions. The applicable rates of contribution are 15% and 2% of total contractual salaries, respectively. The Group has no obligation for the payment of retirement benefits other than the contributions described above. The Group's contributions vest fully with the employees when contributed into the plan.

Directors' emoluments

Details of the directors' emoluments are as follows:

	Salaries, allowances and benefits in kind *US$*	Discretionary bonuses *US$*	Directors' fee *US$*	Share-based payments *(Note 28)* *US$*	Total *US$*
For the year ended 31 December 2011					
Chairman:					
Chang, Kwang-Hsiung	**77,400**	**–**	**–**	**561**	**77,961**
Executive directors:					
Lou, Hen-Wen (resigned on 16 Nov 2011)	**72,308**	**–**	**–**	**–**	**72,308**
Lee, Hsi-Chun	**37,992**	**–**	**–**	**449**	**38,441**
Wang, Ching-Tung	**86,909**	**26,115**	**–**	**449**	**113,473**
Non-executive directors:					
Liu, Wu-Hsiung Harrison	**–**	**–**	**3,000**	**466**	**3,466**
Chiang Shin Huang	**–**	**–**	**3,000**	**–**	**3,000**
Independent non-executive directors:					
Hsu, Nai-Cheng Simon (resigned on 23 May 2011)	**–**	**–**	**12,500**	**–**	**12,500**
Wei, Sheng-Huang	**–**	**–**	**25,000**	**–**	**25,000**
Shen, Hwa-Rong (appointed on 22 August 2011)	**–**	**–**	**9,041**	**–**	**9,041**
Lin, Ching-Ching	**–**	**–**	**25,000**	**–**	**25,000**
	274,609	**26,115**	**77,541**	**1,925**	**380,190**

7. PROFIT BEFORE INCOME TAX (Continued)

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

Directors' emoluments *(Continued)*

	Salaries, allowances and benefits in kind *US$*	Discretionary bonuses *US$*	Directors' fee *US$*	Share-based payments *(Note 28)* *US$*	Total *US$*
For the year ended 31 December 2010					
Chairman:					
Chang, Kwang-Hsiung	77,400	–	–	6,399	83,799
Executive directors:					
Lou, Hen-Wen	87,954	31,693	–	–	119,647
Lee, Hsi-Chun	83,096	32,278	–	5,114	120,488
Wang, Ching-Tung	83,750	33,595	–	5,114	122,459
Non-executive directors:					
Huang, Kwang-Wuu (resigned on 31 December 2010)	–	–	25,000	706	25,706
Liu, Wu-Hsiung Harrison	–	–	25,000	5,307	30,307
Chiang Shin Huang (appointed on 31 December 2010)	–	–	–	–	–
Independent non-executive directors:					
Hsu, Nai-Cheng Simon	–	–	25,000	–	25,000
Wei, Sheng-Huang	–	–	25,000	–	25,000
Lin, Ching-Ching	–	–	25,000	–	25,000
	332,200	97,566	125,000	22,640	577,406

Note: These represent the estimated fair value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 3(l)(iv). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share-based payments" in the directors' report and Note 28.

The Group did not pay any emoluments to directors of the Company for the year ended 31 December 2011 as an inducement fee to join or as compensation for loss of office. None of the persons who are board of directors of the Company waived or agreed to waive any emoluments or remuneration during the year ended 31 December 2011.

Five highest paid employees

Of the five individuals with the highest emoluments, one (2010: three) is director whose emoluments are disclosed above. The aggregate of the emoluments in respect of the other four (2010: two) individual(s) are as follows:

	2011 ***US$***	2010 *US$*
Salaries, wages and other benefits	**266,019**	134,013
Equity-settled share-based payment expenses	**1,179**	7,041
Discretionary bonuses	**82,449**	49,491
Total	**349,647**	190,545

During the year ended 31 December 2011, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

7. PROFIT BEFORE INCOME TAX (Continued)

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

Five highest paid employees

The emoluments of the four (2010: two) individual(s) with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Hong Kong Dollar ("HK$")		
Nil to 1,000,000	**4**	2

(b) Other items

	2011 US$	2010 US$
Amortisation of lease prepayments/intangible assets	**319,263**	131,305
Auditors' remuneration	**472,851**	454,531
Cost of inventories recognised as expenses *(i) (Note 18)*	**198,259,000**	174,765,235
Depreciation of property, plant and equipment	**8,173,209**	8,178,713
Equity-settled share-based payment expenses		
– employees of the Group	**10,532**	105,245
– employees of the ultimate holding company	**7,506**	102,234
Gain on disposal/write off of property, plant and equipment (net)	**(114,432)**	(9,853)
Operating lease of properties	**884,801**	608,550
Research and development expenses *(ii)*	**11,717,963**	7,517,623
Technical consultancy fee *(Note 29(a) (iv))*	**834,501**	717,133
Warranty expenses *(Note 26)*	**2,920,500**	2,596,557
Allowance for inventory impairment *(Note 18)*	**55,046**	417,321
Allowance for impairment of property, plant and equipment *(Note 13)*	**12,556**	478,921
Allowance for impairment of goodwill	**–**	8,751

(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 7(a) for each of these types of expenses.

(ii) Research and development expenses include amounts relating to technology transfer fee, 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 7(a) for each of these types of expenses. No development expenditure was capitalised during the year ended 31 December 2011 (2010: US$ nil).

(c) Finance income and expenses

	2011 US$	2010 US$
Interest income from banks	**10,081,397**	7,409,647
Dividend income from mutual funds	**–**	2,746
Finance income	**10,081,397**	7,412,393
Interest paid and payable to banks	**(29,672)**	(62,423)
Net foreign exchange losses	**(84,653)**	(1,524,181)
Finance expenses	**(114,325)**	(1,586,604)
Net finance income	**9,967,072**	5,825,789

8. INCOME TAX EXPENSES

(a) Recognised in the consolidated income statement

	2011 US$	2010 US$
Current tax expenses		
– current tax	**4,444,515**	5,328,309
– under provision in respect of prior years	**308,306**	77,237
Deferred tax expense		
– origination and reversal of temporary differences	**163,087**	845,075
	4,915,908	6,250,621

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 year ended 31 December 2011.

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

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

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

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

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

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	2011 US$	2010 US$
Profit before tax	**22,069,571**	31,360,786
Notional tax on profit before tax using the CIT rate of 18%	**3,972,523**	5,644,941
Tax effect of non-deductible expenses	**483,381**	648,808
Tax effect of non-taxable income	**(87,500)**	(134,105)
Tax effect of differences in tax rates and tax holidays of subsidiaries	**239,198**	(201,788)
Under/(over) provision for CIT in respect of prior years	**308,306**	77,237
Derecognition of previously recognised deferred tax assets in respect of losses	**–**	215,528
Actual tax expense	**4,915,908**	6,250,621

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes US$ 27,589,597 (2010: a deficit of US$3,048,860) which has been dealt with in the financial statements of the Company *(Note 27(c))*.

10. DIVIDEND

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

	2011	2010
	US$	*US$*
Final dividend proposed after the balance sheet date of US$0.0057 (2010: US$ Nil) per ordinary share*	**5,173,776**	–

* *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

	2011	2010
Final dividend in respect of the previous year, declared and paid during the year of US$ nil per ordinary share (2010: US$0.00219)	**–**	19,818,597

11. OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

		2011			2010	
	Before-tax amount	**Tax benefit**	**Net-of-tax amount**	Before-tax amount	Tax benefit	Net-of-tax amount
	US$	***US$***	***US$***	*US$*	*US$*	*US$*
Exchange differences on translation of financial statements of overseas subsidiaries	**(9,416,863)**	**–**	**(9,416,863)**	(5,097,557)	–	(5,097,557)

(b) Reclassification adjustments relating components of other comprehensive income

During the year there were no reclassification adjustments relating to components of other comprehensive income.

12. 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$17,153,663 (2010: US$25,110,165) and the weighted average of 907,680,000 ordinary shares (2010: 907,680,000 ordinary shares) in issue during the year.

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 2011 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings US$	Machinery, moulds and equipment US$	Office equipment, furniture and fittings US$	Electrical, water and utility systems US$	Motor vehicles US$	Assets under construction US$	Total US$
Cost							
At 1 January 2010	11,163,964	68,576,472	1,704,801	5,333,538	1,199,414	6,408,664	94,386,853
Additions	269,303	8,897,015	424,405	121,783	300,033	2,263,766	12,276,305
Transfer from assets under construction	7,211	483,680	20,371	3,238	32,532	(547,032)	–
Disposals	(5,219)	(1,448,618)	(30,583)	(1,219)	(91,323)	–	(1,576,962)
Effect of movements in exchange rates	(588,373)	(3,664,016)	(95,876)	(281,482)	(62,510)	(366,364)	(5,058,621)
At 31 December 2010	10,846,886	72,844,533	2,023,118	5,175,858	1,378,146	7,759,034	100,027,575
Additions	419,857	2,631,455	150,820	259,395	332,068	1,163,702	4,957,297
Transfer from assets under construction	4,675,047	1,135,057	–	2,154,258	–	(7,964,362)	–
Transfer to long term prepayments	–	–	–	–	–	(328,840)	(328,840)
Disposals	–	(1,140,371)	–	–	(192,845)	–	(1,333,216)
Written off	–	(240,778)	(25,355)	–	(9,355)	–	(275,488)
Effect of movements in exchange rates	(918,868)	(5,342,379)	(150,325)	(438,281)	(101,428)	(388,275)	(7,339,556)
At 31 December 2011	15,022,922	69,887,517	1,998,258	7,151,230	1,406,586	241,259	95,707,772
Accumulated depreciation and impairment loss							
At 1 January 2010	3,806,222	44,915,028	1,211,560	4,265,640	854,295	–	55,052,745
Depreciation charge for the year	373,873	7,293,883	212,970	181,649	116,338	–	8,178,713
Impairment loss	5,694	442,723	160	–	30,344	–	478,921
Disposals	(986)	(1,428,167)	(30,387)	(1,067)	(60,478)	–	(1,521,085)
Effect of movements in exchange rates	(205,551)	(2,433,904)	(66,215)	(226,586)	(44,242)	–	(2,976,498)
At 31 December 2010	3,979,252	48,789,563	1,328,088	4,219,636	896,257	–	59,212,796
Depreciation charge for the year	1,324,153	6,164,550	225,243	342,519	116,744	–	8,173,209
Impairment loss	–	12,556	–	–	–	–	12,556
Disposals	–	(1,140,371)	–	–	(168,043)	–	(1,308,414)
Written off	–	(229,665)	(24,110)	–	(8,209)	–	(261,984)
Effect of movements in exchange rates	(323,120)	(3,646,498)	(101,515)	(316,672)	(61,505)	–	(4,449,310)
At 31 December 2011	4,980,285	49,950,135	1,427,706	4,245,483	775,244	–	61,378,853
Carrying amount							
At 31 December 2011	10,042,637	19,937,382	570,552	2,905,747	631,342	241,259	34,328,919
At 31 December 2010	6,867,634	24,054,970	695,030	956,222	481,889	7,759,034	40,814,779

14. INTANGIBLE ASSETS

Intangible assets represent computer software.

	The Group 2011 US$	2010 US$
Cost		
At 1 January	**1,104,803**	987,116
Additions	**87,020**	172,467
Effect of movements in exchange rates	**(82,846)**	(54,780)
At 31 December	**1,108,977**	1,104,803
Accumulated amortisation		
At 1 January	**940,520**	908,223
Charge for the year	**91,873**	81,310
Effect of movements in exchange rates	**(70,973)**	(49,013)
At 31 December	**961,420**	940,520
Carrying amount		
At 31 December	**147,557**	164,283

The amortisation charge for the year is included in "administrative expenses" in the consolidated income statement.

15. LEASE PREPAYMENTS

Lease prepayments represent prepaid land lease rental and related costs.

	The Group 2011 US$	2010 US$
At 1 January	**679,702**	766,158
Additions	**6,075,917**	2,807
Transfer from assets under construction	**328,840**	–
Less: amortisation	**(227,390)**	(49,995)
Effect of movements in exchange rates	**(204,093)**	(39,268)
At 31 December	**6,652,976**	679,702

The additions to lease prepayments during the year ended 31 December 2011 represent the prepaid rentals for a piece of new land, which will be used to relocate one of the Group's factories from Ha Tay province to a new location.

16. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

The Group's investment in an equity accounted investee of US$ 710,756 (2010:US$771,005) represents its share of the net assets of the Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM") .

VTBM was originally a wholly foreign-owned enterprise established on 5 September 2002 with a registered capital of US$1,000,000 by Three Brothers Machinery Industry Co., Ltd. (registered in Taiwan), a subsidiary of Sanyang Industry Co., Ltd., the Company's ultimate holding company. On 7 April 2003 the Group acquired 31% of the contributed capital of Vietnam Three Brothers Machinery Industry Co., Limited, which was satisfied in cash.

VTBM's licensed period of operation is 50 years and its principal activities are manufacture and sale of motorbike-related spare parts.

Summary of financial information on VTBM, not adjusted for the percentage of ownership held by the Group:

	The Group	
	2011	2010
	US$	*US$*
Non-current assets	**1,154,777**	1,475,634
Current assets	**2,063,534**	1,976,759
Current liabilities	**(925,550)**	(965,281)
Net assets	**2,292,761**	2,487,112
Revenue	**7,705,768**	6,188,576
Net profits	**680,854**	687,728
Dividend declared	**(495,283)**	(601,021)

17. INVESTMENT IN SUBSIDIARIES

	The Company	
	2011	2010
	US$	*US$*
Unlisted shares		
Investment at cost	**65,712,212**	65,712,212
Share-based payments	**197,171**	197,171
	65,909,383	65,909,383

17. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries of the Company as at 31 December 2011 are set out below. The class of shares held is ordinary unless otherwise stated.

Name of subsidiaries	Place and date of incorporation, establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company Direct %	Attributable equity interest held by the Company Indirect %	Principal activities
Vietnam Manufacturing and Export Processing Co., Limited	Vietnam 5 March 1992	US$58,560,000/ US$58,560,000	100	–	Manufacture and sales of motorbikes and related spare parts
Chin Zong Trading Co., Limited	Taiwan 6 July 2007	US$4,528,712/ US$9,057,424	100	–	Sales of motor vehicles and motorbikes and related spare parts
Vietnam Casting Forge Precision Limited	Vietnam 12 April 2002	US$4,500,000/ US$4,500,000	–	100	Manufacture spare parts for motorbikes and motor vehicles
Duc Phat Molds Inc.	Vietnam 14 June 2002	US$1,200,000/ US$1,200,000	–	100	Manufacture and process of moulds and jigs
PT Sanyang Industri Indonesia	Indonesia 20 February 2006	US$6,650,000/ US$7,000,000	99	1	Manufacture and sales of motorbikes and related spare parts

18. INVENTORIES

	The Group 2011 US$	2010 US$
Raw materials	**26,866,072**	18,781,292
Tools and supplies	**520,268**	590,597
Work in progress	**883,681**	445,727
Finished goods	**6,489,033**	4,680,214
Merchandise inventories*	**5,070,990**	3,391,183
	39,830,044	27,889,013
Allowance for inventory impairment	**(334,882)**	(1,146,993)
Net realisable value	**39,495,162**	26,742,020

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

18. INVENTORIES (Continued)

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

	The Group	
	2011	2010
	US$	*US$*
Carrying amount of inventories sold	**198,259,000**	174,765,235
Allowance for inventory impairment	**55,046**	417,321
	198,314,046	175,182,556

Movements in allowance for inventory impairment were as follows:

	The Group	
	2011	2010
	US$	*US$*
At 1 January	**1,146,993**	2,504,463
Additions	**55,046**	417,321
Utilisation	**(810,737)**	(1,672,233)
Effect of movements in exchange rates	**(56,420)**	(102,558)
At 31 December	**334,882**	1,146,993

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Trade receivables *(Note 19(i) and Note 19(ii))*	**3,457,357**	2,931,202	**–**	–
Non-trade receivables *(Note 19(iii))*	**4,324,345**	2,644,112	**63,996**	66,529
Prepayments *(Note 19(iv))*	**3,561,964**	4,843,593	**–**	–
Amounts due from related parties *(Note 29(b))*				
– trade	**115,699**	153,624	**–**	–
– non-trade	**1,693**	156	**24,500,000**	–
	11,461,058	10,572,687	**24,563,996**	66,529

(i) Trade receivables

All of the trade receivables are expected to be recovered within one year. The Group's credit policy is set out in Note 31(a).

An aging analysis of the trade receivables of the Group, including trade receivables due from related parties set out in Note 29(b), is as follows:

	The Group	
	2011	2010
	US$	*US$*
Within three months	**3,551,802**	3,084,826
More than three months but within one year	**21,254**	–
	3,573,056	3,084,826

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(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	
	2011	2010
	US$	*US$*
Neither past due nor impaired	**3,522,252**	2,968,251
Less than 1 month past due	**3,209**	13,200
1 to 3 months past due	**26,340**	103,375
More than 3 months but within 1 year	**21,255**	–
	50,804	116,575
	3,573,056	3,084,826

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	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Deductible value- added tax	**2,673,251**	656,933	**–**	–
Import tax refundable	**286,513**	761,755	**–**	–
Interest receivable	**343,835**	463,730	**–**	–
Others	**1,020,746**	761,694	**63,996**	66,529
	4,324,345	2,644,112	**63,996**	66,529

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

Prepayments	**1,149,031**	760,790	**–**	–
Advances to suppliers	**2,412,933**	4,082,803	**–**	–
	3,561,964	4,843,593	**–**	–

20. INVESTMENTS

	The Group / The Company	
	2011	2010
	US$	*US$*
USD Digital Capital Protected Notes	**3,000,000**	–

Notes of US$ 3 million were acquired on 29 December 2011. The notes are 100% principal-protected provided that they are redeemed at maturity. The notes have a guaranteed coupon rate of 1.6% per annum plus a potential additional coupon rate of 1.4% depending on the performance of Hang Seng Index as of the maturity date. The notes have a term of six months and will mature on 29 June 2012.

The Group's exposure to credit, currency and interest rate risks and fair value information are disclosed in Note 31.

21. TIME DEPOSITS MATURING AFTER THREE MONTHS

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Denominated in VN$	**25,204,411**	256,410	**–**	–
Denominated in US$	**20,000,000**	13,350,000	**20,000,000**	13,000,000
	45,204,411	13,606,410	**20,000,000**	13,000,000

The effective interest rates per annum relating to time deposits maturing after three months are as follows:

Effective interest rates –VN$	**12% to 14%**	11.5%	**–**	–
Effective interest rates –US$	**1.27% to 3.00%**	0.64% to 3.00%	**1.27%**	0.64% to 1.59%

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Denominated in VN$	**27,645,138**	79,830,170	**–**	–
Denominated in US$	**31,597,334**	33,785,912	**16,793,696**	28,597,579
Denominated in RMB	**5,009,900**	–	**5,009,900**	–
Denominated in NT$	**1,502,548**	2,260,251	**–**	–
Denominated in HK$	**28,245**	144,179	**28,245**	144,179
Denominated in EUR	**–**	65,055	**–**	65,055
Denominated in IDR	**113,304**	62,415	**–**	–
	65,896,469	116,147,982	**21,831,841**	28,806,813

The effective interest rates relating to cash and cash equivalents denominated in US$ and VN$ per annum are set out as follows:

Effective interest rates –VN$	**6.00% to 14.50%**	6.00% to 14.50%	**–**	–
Effective interest rates –US$	**0.01% to 2.00%**	0.01% to 3.20%	**0.01% to 1.20%**	0.01% to 0.60%

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Trade payables *(Note 23(i))*	**10,075,926**	17,537,125	**–**	–
Other payables and accrued operating expenses *(Note 23(ii))*	**9,540,556**	10,855,113	**729,560**	699,793
Advances from customers	**1,494,302**	2,821,641	**–**	–
Amounts due to related parties *(Note 29(c))*				
– trade	**7,504,614**	6,021,797	**–**	–
– non-trade	**1,180**	1,338	**1,180**	1,338
Amount due to a subsidiary	**–**	–	**–**	97,087
	28,616,578	37,237,014	**730,740**	798,218

(i) Trade payables

An aging analysis of trade payables of the Group, including trade payables due to related parties as set out in Note 29(c), is as follows:

	The Group	
	2011	2010
	US$	*US$*
Within three months	**17,502,961**	19,604,630
More than three months but within one year	**76,363**	3,952,072
More than one year but within five years	**1,216**	2,220
	17,580,540	23,558,922

(ii) Other payables and accrued operating expenses

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Other tax payables	**1,001,216**	1,578,151	**–**	–
Commission and bonuses payable to dealers	**2,238,959**	2,538,571	**–**	–
Accrued expenses	**3,250,235**	3,287,263	**729,560**	699,793
Other payables	**3,050,146**	3,451,128	**–**	–
	9,540,556	10,855,113	**729,560**	699,793

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

24. INTEREST-BEARING BORROWINGS

(a) Current

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Bank borrowings				
– secured	**–**	–	**–**	–
– unsecured	**410,549**	1,125,966	**–**	–
	410,549	1,125,966	**–**	–

Interest rates per annum of the above borrowings are as follows:

Short-term interest–bearing borrowings	**7.70%**	3.35% to 4.12%	**–**	–

(b) Maturity of borrowings

The maturity profile of the interest-bearing borrowings of the Group and the Company as at each of the balance sheet dates is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	US$	*US$*	***US$***	*US$*
Within one year	**410,549**	1,125,966	**–**	–

25. INCOME TAX (RECOVERABLE)/PAYABLE

(a) Current taxation in the balance sheet represents:

	The Group	
	2011	2010
	US$	*US$*
At 1 January	**1,682,594**	1,415,894
Provision for tax for the year	**4,444,515**	5,328,309
Under provision in prior years	**308,306**	77,237
Income tax paid	**(5,670,778)**	(5,093,533)
Effect of movements in exchange rates	**(100,784)**	(45,313)
At 31 December	**663,853**	1,682,594
Represented by:		
Income tax recoverable	**(10,628)**	(15,548)
Income tax payable	**674,481**	1,698,142
	663,853	1,682,594

25. INCOME TAX (RECOVERABLE)/PAYABLE (Continued)

(b) Recognised deferred tax assets:

The Group

Deferred tax arising from:

	Allowance for inventories	Losses as a result of fire	Tax losses	Others	Total
	US$	*US$*	*US$*	*US$*	*US$*
At 1 January 2010	385,389	427,119	215,528	24,230	1,052,266
Debited to the income statement	(214,622)	(412,154)	(215,528)	(2,771)	(845,075)
Effect of movements in exchange rates	(16,420)	(14,965)	–	2,683	(28,702)
At 31 December 2010	154,347	–	–	24,142	178,489
Debited to the income statement	(117,754)	–	–	(45,333)	(163,087)
Effect of movements in exchange rates	(3,522)	–	–	(4,278)	(7,800)
At 31 December 2011	33,071	–	–	(25,469)	7,602

(c) Deferred tax assets not recognised:

The Group has not recognized deferred tax assets in respect of accumulated tax losses of US$1,284,795 (2010: US$1,258,023) of a subsidiary as at 31 December 2011, as the Group does not consider the utilisation of the accumulated tax losses of that subsidiary to be probable before their expiry.

26. PROVISIONS

The Group

	Warranties	Severance pay	Total
	US$	*US$*	*US$*
At 1 January 2010	471,740	950,723	1,422,463
Additions	2,596,557	464,282	3,060,839
Utilisation during the year	(2,356,079)	(79,194)	(2,435,273)
Effect of movements in exchange rates	(29,016)	(51,388)	(80,404)
At 31 December 2010	683,202	1,284,423	1,967,625
Additions	2,920,500	322,348	3,242,848
Utilisation during the year	(3,146,363)	(132,924)	(3,279,287)
Effect of movements in exchange rates	(44,237)	(77,015)	(121,252)
At 31 December 2011	413,102	1,396,832	1,809,934

The Company

	Severance pay	Total
	US$	*US$*
At 31 December 2010	295,450	295,450
Additions	79,343	79,343
Utilisation during the year	(82,005)	(82,005)
At 31 December 2011	292,788	292,788

26. PROVISIONS (Continued)

(a) Provision for warranties

Further details in respect of the provision for warranties are set out in Note 32(e).

(b) Provision for severance pay obligation

Pursuant to the labour regulations in Vietnam, employers are required to pay a severance allowance to each local employee, who joined the company before 1 January 2009, (calculated as half a month's salary for every completed year of service) when the employee leaves the company. In addition, pursuant to the policy of the Company, a severance allowance will be paid to each Taiwanese employee (calculated as one month's salary for every completed year of service) when the employee leaves the Company.

The obligation vests and is payable regardless of the reasons for the employee departing the company. The provision in respect of this severance pay obligation is calculated by estimating the amount of benefits that employees have earned in return for their service in the current and prior periods. A provision is made for the estimated liability for severance pay as a result of services rendered by employees up to the balance sheet date.

27. CAPITAL AND RESERVES

(a) Share capital

The Group/the Company

	2011 Number of Shares	**2011** Amount	2010 Number of Shares	2010 Amount
		US$		*US$*
Authorised:				
Ordinary shares of HK$0.01	**10,000,000,000**	**12,811,479**	10,000,000,000	12,811,479
Issued and fully paid:				
At 31 December	**907,680,000**	**1,162,872**	907,680,000	1,162,872

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of shares of the Company. Under the Companies Law of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which a dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

Capital reserve represents the fair value of the actual or estimated number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for share-based payments *(Note 3(l)(iv))*.

(iii) Exchange reserve

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries in accordance with the accounting policy adopted for foreign currencies *(see Note 3(b)(ii))*.

(iv) Statutory reserves

Statutory reserves at 31 December 2011 represented the statutory reserve of Chin Zong.

In accordance with Chin Zong's Articles of Association, after Chin Zong has paid all taxes due at the end of the fiscal year, Chin Zong shall offset its accumulated losses and set aside 10% of the net profit as a statutory reserve before distribution of profit.

(v) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity holders of the Company was US$131,195,154 (2010: US$103,581,557).

27. CAPITAL AND RESERVES (Continued)

(c) Statement of changes in equity

The Company

	Paid-in capital *US$*	Share premium *US$*	Capital reserve *US$*	Retained profits/ (deficit) *US$* *(Note 9)*	Total equity *US$*
At 1 January 2010	1,162,872	112,198,709	1,737,149	14,250,305	129,349,035
Total comprehensive income for the year	–	–	–	(3,048,860)	(3,048,860)
Equity-settled share-based payments	–	–	207,479	–	207,479
Dividends	–	–	–	(19,818,597)	(19,818,597)
At 31 December 2010	1,162,872	112,198,709	1,944,628	(8,617,152)	106,689,057
Total comprehensive income for the year	–	–	–	27,589,597	27,589,597
Equity-settled share-based payments	–	–	18,038	–	18,038
Dividends	–	–	–	–	–
At 31 December 2011	1,162,872	112,198,709	1,962,666	18,972,445	134,296,692

(d) Capital management

The Group's primary objectives when managing capital are to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The gearing ratio for the year ended 31 December 2011 is 0.23% (2010: 0.67%). The gearing ratio is calculated by dividing total interest-bearing borrowings with total equity.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. SHARE-BASED PAYMENTS

A share option scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 24 November 2007 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to provide an incentive to retain and encourage the qualified participants to work with commitment towards enhancing the value of the Company for the benefit of the shareholders.

The qualified participants include (i) any executive director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any such persons (including but not limited to consultant, adviser, contractor, business partner or service provider of the Company or any member of the Group or any Invested Entity) who in the absolute discretion of the board has contributed or will contribute to the Group.

On 4 February 2008 (the "Grant Date"), the Company granted 20,000,000 share options at a subscription price of HK$2.90 per share to certain qualified participants.

28. SHARE-BASED PAYMENTS (Continued)

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting condition and exercisable percentage condition	Up to %	Contractual life of options
Options granted to the directors of the Group				
– on 4 February 2008	2,703,000	Six months from the Grant Date	20	5 years
		One year from the Grant Date	45	
		Two years from the Grant Date	70	
		Three years from the Grant Date	100	
Options granted to the employees of the Group				
– on 4 February 2008	9,280,000	Six months from the Grant Date	20	5 years
		One year from the Grant Date	45	
		Two years from the Grant Date	70	
		Three years from the Grant Date	100	
Options granted to the employees of the ultimate holding company, Sanyang Industry Co., Ltd.				
– on 4 February 2008	8,017,000	Six months from the Grant Date	20	5 years
		One year from the Grant Date	45	
		Two years from the Grant Date	70	
		Three years from the Grant Date	100	
	20,000,000			

(b) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price *HK$*	Number of options
Outstanding at 1 January 2011	2.90	13,512,000
Lapsed during the year	2.90	(1,638,000)
Outstanding at 31 December 2011		11,874,000
Exercisable at 31 December 2011		11,874,000

No share option has been exercised during the year ended 31 December 2011.

The options outstanding at 31 December 2011 had an exercise price of HK$2.90 and a contractual life of 1.08 years.

28. SHARE-BASED PAYMENTS (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured with reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

	At 4 February 2008 (Grant Date)
Fair value at measurement date	HK$0.88
Share price	HK$2.90
Exercise price	HK$2.90
Expected volatility	55.15%
Option life	5 years
Expected dividends	7%
Risk free interest rate	2.06%

The expected volatility was determined with reference to the volatilities of the comparable companies. The expected annual dividend yield was based on the projected dividend yield of shares of the Company as provided by the management of the Company. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

29. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, transactions with the following parties are considered as related party transactions:

Name of party	**Relationship**
Sanyang Industry Co., Ltd. ("Sanyang")	The ultimate holding company
Xia Shing Xiamen Motorcycle Co., Ltd.	Effectively controlled by Sanyang, the controlling equity holder of the Group
Teamworld Industries Corporation	Effectively controlled by the Huang Family, the single largest equity holder of Sanyang
Vietnam Three Brothers Machinery Industry Co., Limited	The associate of the Company and a non-wholly owned subsidiary of Sanyang
Sanyang Vietnam Automobile Co., Ltd.	A subsidiary of SY International Limited, the equity holder of the Company
Sanyang Global Co., Ltd.	Effectively controlled by Sanyang, the controlling equity holder of the Group
Hanoi Full Ta Precision Company Limited	The associate of Sanyang Industry Co., Ltd.

29. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	2011 US$	2010 US$
Sales of finished goods and spare parts: ***(i)***		
Sanyang Industry Co., Ltd.	**595,947**	694,420
Sanyang Vietnam Automobile Co., Ltd.	**86,867**	124,385
Teamworld Industries Corporation	**–**	37,612
Xia Shing Xiamen Motorcycle Co., Ltd.	**–**	36,900
	682,814	893,317
Purchases of raw materials and finished goods: ***(ii)***		
Sanyang Industry Co., Ltd.	**29,937,059**	16,001,245
Sanyang Global Co., Ltd.	**9,495,956**	9,524,460
Vietnam Three Brothers Machinery Industry Co., Limited	**5,355,381**	4,296,635
Xia Shing Xiamen Motorcycle Co., Ltd.	**4,178,957**	–
Hanoi Full Ta Precision Company Limited	**124,737**	–
	49,092,090	29,822,340
Purchases of property, plant and equipment: ***(iii)***		
Sanyang Industry Co., Ltd.	**603,673**	524,558
Vietnam Three Brothers Machinery Industry Co., Limited	**–**	327,727
	603,673	852,285
Technology transfer fees: ***(iv)***		
Sanyang Industry Co., Ltd.	**6,899,833**	6,455,056
Technical consultancy fees: ***(v)***		
Sanyang Industry Co., Ltd.	**834,501**	717,133

(i) Sales of finished goods and spare parts are carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and in the ordinary course of business.

(ii) Purchases of raw materials and finished goods are carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and in the ordinary course of business.

(iii) Purchases and disposals of property, plant and equipment were carried out based on mutually agreed terms with reference to comparable market prices, where applicable, and in the ordinary course of business.

(iv) Pursuant to certain technology transfer agreements entered into between Sanyang, the Company and VMEP ("Technology License Agreements"), Sanyang has granted an exclusive license to VMEP to use the technology, know-how, trade secrets and production information owned by Sanyang in connection with the Group's manufacture and sale of "SYM" brand motorbikes and related parts in the all of the member countries of the Association of South East Asians Nations, including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. The license fee as provided for in the Technology License Agreement is 4% of the annual net selling price of products manufactured using such technology.

(v) Technical consultancy fees charged by Sanyang are staff costs and other related expenses, as defined in the technical consultancy agreement entered into between the Company and Sanyang.

29. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Amount due from related parties

	The Group	
	2011	2010
	US$	*US$*
Trade		
Sanyang Global Co., Ltd.	**699**	45,732
Sanyang Industry Co., Ltd.	**12,659**	107,892
Sanyang Vietnam Automobile Co., Ltd.	**7,789**	–
Xia Shing Xiamen Motorcycle Co., Ltd.	**94,552**	–
Subtotal	**115,699**	153,624
Non-trade		
Sanyang Industry Co., Ltd.	**1,693**	156
Subtotal	**1,693**	156
Total	**117,392**	153,780

	The Company	
	2011	2010
	US$	*US$*
Non-trade		
Vietnam Manufacturing and Export Processing Co., Ltd	**24,500,000**	–

Trade balances due from related parties are unsecured, interest-free and are expected to be recovered within 60 days. The non-trade balance due from related parties is expected to be recovered within one year.

29. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Amount due to related parties

	The Group	
	2011	2010
	US$	*US$*
Trade		
Sanyang Global Co., Ltd.	**1,614,948**	1,835,363
Sanyang Industry Co., Ltd.	**5,519,958**	3,983,459
Hanoi Full Ta Precision Company Limited	**62,846**	–
Vietnam Three Brothers Machinery Industry Co., Limited	**222,862**	202,975
Xia Shing Xiamen Motorcycle Co., Ltd.	**84,000**	–
Subtotal	**7,504,614**	6,021,797
Non-trade		
Sanyang Industry Co., Ltd.	**1,180**	1,338
Subtotal	**1,180**	1,338
Total	**7,505,794**	6,023,135

	The Company	
	2011	2010
	US$	*US$*
Non-trade		
Sanyang Industry Co., Ltd.	**1,180**	1,338
Total	**1,180**	1,338

Trade payables due to related parties are all unsecured, interest-free and are expected to be settled within ranges from 30 to 60 days.

The non-trade balance due from related party is expected to be recovered within one year.

(d) Key management personnel remuneration

	2011	2010
	US$	*US$*
Short-term employee benefits	**1,036,953**	1,172,754
Equity-settled share-based payment expenses	**3,091**	34,730
	1,040,044	1,207,484

Total remuneration is included in "staff costs" as set out in Note 7(a).

30. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	The Group	
	2011	2010
	US$	*US$*
Contracted for	**607,890**	629,688
Authorised but not contracted for	**22,067,719**	–
	22,675,609	629,688

On 25 January 2011, the Group's Board of Directors resolved to relocate one of the Group's factories from Ha Tay province to a new location, as the Group has been informed that the Vietnam government intends to redevelop Ha Tay province. The relocation is expected to be completed by the end of 2012. The capital commitment authorised but not contracted for as at the balance sheet in respect of this relocation and construction of the new factory is US$22 million. The authorised amount is an initial estimate and will be subject to regular review by the Group's Board of Directors.

(b) Operating lease commitments

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

	The Group	
	2011	2010
	US$	*US$*
Within 1 year	**600,938**	597,437
After 1 year but within 5 years	**1,009,844**	1,434,848
After 5 years	**2,125,126**	2,263,918
	3,735,908	4,296,203

The leases are for an initial period of one to five years, except for a lease of land and factories which is for fifty years.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

The Group's business strategies, tolerance of risk and general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions.

The Group's financial assets comprise mainly cash and cash equivalents, trade receivables, deposits, other receivables, prepayments and time deposits maturing after three months. The Group's financial liabilities comprise interest-bearing borrowings and trade and other payables.

The Group had no derivative instruments that are designated and qualified as hedging instruments for the year ended 31 December 2011. Exposure to credit, interest rate, currency risk and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

(i) Trade receivables, other receivables and prepayments

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers, which accounted for approximately 87% (2010: 88%) of total sales. 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.

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due; 3% (2010: 5%) of the trade receivables as at year end are due from related parties which have a good trading and settlement record with the Group.

The Group does not collect collateral in respect of trade receivables, other receivables and prepayments.

The maximum exposure to credit risk is represented by the carrying amounts of each financial asset in the consolidated balance sheet.

The maximum exposure to credit risk for trade receivables at the balance sheet dates by business type was as follows:

	2011	2010
	US$	*US$*
Manufacture and sales of motorbikes	**1,319,798**	915,107
Manufacture and sales of spare parts and engines	**2,234,739**	2,164,405
Moulds and repair services	**18,519**	5,314
	3,573,056	3,084,826

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from other receivables and prepayments are set out in Note 19.

(ii) Deposits with banks

It is expected that there is no significant credit risk associated with the cash and cash equivalents, and time deposits as they are placed with major banks, which the management believes are of high credit quality.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(b) Interest rate risk

The Group's and the Company's exposure to interest rate risk relates to interest bearing financial assets and liabilities.

(i) Interest-bearing financial assets

Interest-bearing financial assets include time deposits maturing after three months, cash and cash equivalents and investments.

Time deposits maturing after three months are not held for speculative purposes but are placed to satisfy conditions for borrowing facilities granted to the Group and for higher yield returns than cash at banks. The Group manages its interest rate yield by balancing the placement of deposits with varying maturity periods.

(ii) Interest-bearing financial liabilities

The Group's interest-bearing financial liabilities comprise fixed rate bank borrowings *(Note 24)*, and the Group did not have variable-rate borrowings.

The Group therefore had no significant exposure to a risk of change in cash flows due to changes of interest rates on interest bearing financial liabilities. The Company had no interest bearing financial liabilities during the year.

(c) Currency risk

The Group is exposed to currency risk primarily through sales, purchases, investments and borrowings that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to significant currency risk is primarily US$.

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(c) Currency risk (Continued)

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in US$, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

The Group

	Exposure to foreign currencies (expressed in US$)	
2011	***US$***	***RMB***
Trade and other receivables	**2,017,117**	**–**
Cash and cash equivalents	**15,011,281**	**5,009,900**
Trade and other payables	**(11,089,797)**	**–**
Interest-bearing borrowings	**(472,396)**	**–**
Balance sheet exposure	**5,466,205**	**5,009,900**
2010	*US$*	*RMB*
Trade and other receivables	1,569,558	–
Cash and cash equivalents	5,049,156	–
Trade and other payables	(11,016,628)	–
Interest-bearing borrowings	(1,125,966)	–
Balance sheet exposure	(5,523,880)	–

The Company

	Exposure to foreign currencies (expressed in US$)	
2011	***US$***	***RMB***
Cash and cash equivalents	**–**	**5,009,900**
Balance sheet exposure	**–**	**5,009,900**
2010	*US$*	*RMB*
Cash and cash equivalents	–	–
Balance sheet exposure	–	–

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(c) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous increase/(decrease) in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group	**2011**		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		US$		*US$*
US$	**5%**	**272,309**	10%	(552,389)
	(5%)	**(272,309)**	(10%)	552,389
RMB	**5%**	**250,495**	–	–
	(5%)	**(250,495)**	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' loss/profit after tax and equity measured in the respective functional currencies, translated into US$ at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2010.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the Company's board of directors. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term. The contractual maturities of financial liabilities are disclosed in Notes 23 and 24.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(d) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group	**Contractual undiscounted cash outflow**				
2011	**Within 6 months or on demand**	**6 – 12 months**	**More than 1 year**	**Total**	**Carrying amount at 31 Dec**
	US$	***US$***	***US$***	***US$***	***US$***
Trade and other payables excluding advances from customers	**26,536,866**	**585,410**	**–**	**27,122,276**	**27,122,276**
Bank borrowings –unsecured	**421,262**	**–**	**–**	**421,262**	**410,549**
	26,958,128	**585,410**	**–**	**27,543,538**	**27,532,825**

2010	Within 6 months or on demand	6 – 12 months	More than 1 year	Total	Carrying amount at 31 Dec
	US$	*US$*	*US$*	*US$*	*US$*
Trade and other payables excluding advances from customers	33,811,102	604,271	–	34,415,373	34,415,373
Bank borrowings –unsecured	1,127,101	–	–	1,127,101	1,125,966
	34,938,203	604,271	–	35,542,474	35,541,339

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(d) Liquidity risk (Continued)

The Company **2011**	**Within 6 months or on demand** ***US$***	**6 – 12 months** ***US$***	**More than 1 year** ***US$***	**Total** ***US$***	**Carrying amount at 31 Dec** ***US$***
Trade and other payables	**730,740**	**–**	**–**	**730,740**	**730,740**
Bank borrowings – secured	**–**	**–**	**–**	**–**	**–**
	730,740	**–**	**–**	**730,740**	**730,740**

2010	Within 6 months or on demand *US$*	6 – 12 months *US$*	More than 1 year *US$*	Total *US$*	Carrying amount at 31 Dec *US$*
Trade and other payables	798,218	–	–	798,218	798,218
Bank borrowings – secured	–	–	–	–	–
	798,218	–	–	798,218	798,218

(e) Business risk

The Group has certain concentration risk of raw materials and finished goods sourcing from related parties. The Group's total purchases of raw materials and finished goods from the related parties amounted to US$49,092,089 (2010: US$29,822,340) which accounted for approximately 23.3% (2010: 17.7%) of the Group's total purchases for the year ended 31 December 2011.

In the opinion of the directors, the Group has taken appropriate quality control measures to mitigate the effect from any claims caused by products, which may affect adversely its financial results and has made sufficient provision for warranty claims.

(f) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010 due to the short maturities of these financial instruments.

(g) Estimation of fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2011. The following methods and assumptions were used to estimate the fair value for each class of financial instrument:

(i) Bank loans

The carrying amount of bank loans approximate their fair value based on the borrowing rates currently available for bank loans with similar terms and maturities.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (Continued)

(g) Estimation of fair value (Continued)

(ii) Derivatives

The fair value of derivatives was measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data. At the end of the year, the Group's exposure to changes in the fair value of derivatives was US$ 21,000.

32. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty are as follows:

(a) Impairment losses on trade receivables, other receivables and prepayments

As explained in Note 31(a)(i), impairment losses on trade receivables, other receivables and prepayments are assessed and provided based on the directors' regular review of the aging analysis and past collection history of each individual customer. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and collectability of each receivable. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated income statement in future years.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. The Group reviews annually the useful life of the assets and their residual value, if any. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market prices and the historical experience of distributing and selling products of a similar nature. These could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. Management reassesses the estimations at each balance sheet date.

(d) Income taxes

Determining income tax provisions involves judgement regarding the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(e) Provision for warranties

As explained in Note 26, the Group makes provisions under the warranties it gives on sale of its motorbikes and other products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

33. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate holding and ultimate holding company of the Company to be SY International Ltd. and Sanyang Industry Co., Ltd., respectively. Sanyang Industry Co., Ltd. is incorporated in Taiwan.