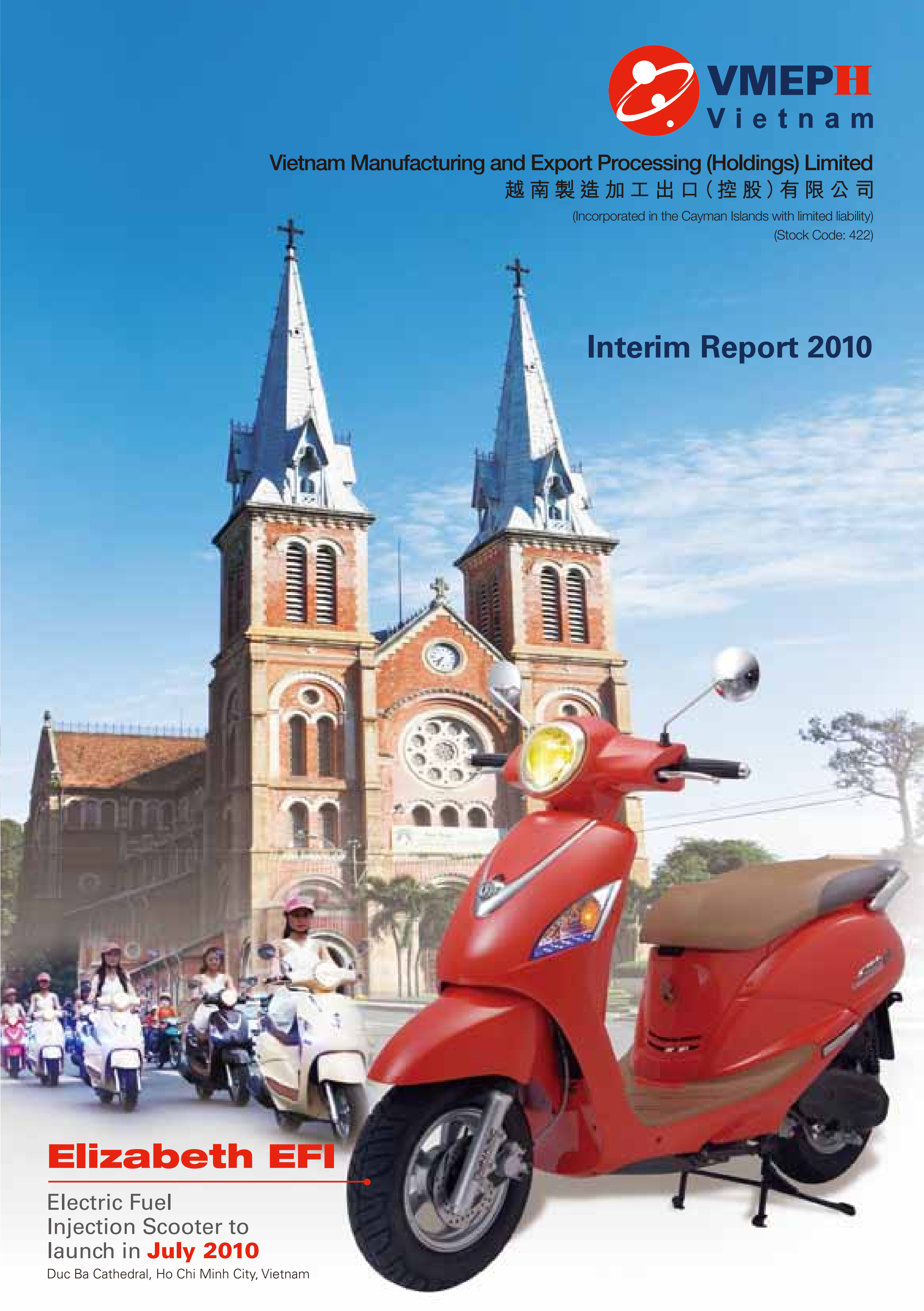

VMEPH Vietnam

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)

Interim Report 2010

Elizabeth EFI

Electric Fuel Injection Scooter to launch in **July 2010**

Duc Ba Cathedral, Ho Chi Minh City, Vietnam

CONTENTS

MANAGEMENT DISCUSSION & ANALYSIS

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

BUSINESS REVIEW

The financial market in Vietnam gradually stabilized following a series of fiscal stimulus measures initiated by the Vietnamese Government. In the first half of 2010, the GDP growth rate was 6.2%, the interest rates of fixed deposit and lending were 11% and 13% respectively, and the foreign direct investment growth was 43%, reversing the previously negative trend. However, the inflation rate rose to 8.7%, led by the rapid growth of money supply. A slightly worrying phenomenon was that due to the central bank intervention in the overheating foreign currency market, the Vietnamese Dong became slightly volatile. Currently, economic indicators demonstrate that the currency devaluation and high inflationary pressure still remain the main causes of the instability of the financial system and might act as a drag on Vietnam's full economic recovery.

The Group worked in a challenging and competitive environment, however, we achieved an encouraging performance in the first half of 2010, both revenue and profit after tax increased by 24% and 177% respectively over the first half of 2009. This demonstrates the Group's successful execution of its business strategy of providing high performance products and high value added services to its high quality demand customers.

For the six months ended 30 June 2010, an aggregate of approximately 89,600 units (of which approximately 55,100 units and 34,500 units of scooters and cubs respectively) were sold by the Group in Vietnam and approximately 18,600 units were exported to ASEAN countries (mainly the Philippines, Indonesia, Singapore, Brunei, Myanmar and Malaysia), representing an increase of 31% and 3% respectively over the same period of previous year.

During the period, the Group strengthened its distribution network with the opening of 12 flagship outlets. As of 30 June 2010, the Group's extensive distribution network comprised over 298 SYM-authorised stores owned by dealers, covering every province in Vietnam.

The Group's new research and development centre in Dong Nai Province has already completed and commenced its operations during the period. This facility has a test-drive circuit for motorbikes and equipped with the latest emissions testing equipment, the Group is able to carry out advanced research projects, which shall further enhance the Group's research and development capabilities to meet the ever changing demands and needs of consumers.

FINANCIAL REVIEW

Revenue increased from US$91.1 million for the for the six months ended 30 June 2009 to US$112.7 million for the six months ended 30 June 2010, and the Group's net profit after tax was US$11.2 million for six months ended 30 June 2010 as compared with US$4.0 million for the six months ended 30 June 2009, representing an increase of 24% and 177% respectively. To mitigate the adverse impact on its operations, the Group has maintained strict controls over its operating costs and capital expenditures.

REVENUE

Revenue of the Group for the six months ended 30 June 2010 amounted to US$112.7 million as compared with US$91.1 million for the six months ended 30 June 2009, an increase of US$21.6 million or 24%. This increase was due to stable domestic demand in Vietnam during the period. The Group domestic sales quantities of scooters increased by 26% for the six months ended 30 June 2010 as compared with the six months ended 30 June 2009, while overall sales quantities also increased by 30% for the same comparative period. Sales of scooters continued to be the Group's major profit driver which accounting for 63% of total sales, and the principal models were Attila-Victoria, Elizabeth and Shark. In terms of geographical contribution, approximately 87% of total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2010.

COST OF SALES

The Group's cost of sales increased by 18%, from US$72.4 million for the six months ended 30 June 2009 to US$85.3 million for the six months ended 30 June 2010. The increase was primarily due to higher sales volume but partly offset by implementing tight cost control measures on increased usage of components sourced locally or imported parts from China, and reducing cost of new models through re-design, etc. As a percentage of total revenue, the Group's cost of sales decreased from 80% for the six months ended 30 June 2009 to 76% in the six months ended 30 June 2010.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the factors discussed above, the gross profit of the Group increased by 47%, from US$18.6 million for the six months ended 30 June 2009 to US$27.4 million for the six months ended 30 June 2010. Between such comparative periods, the Group's gross profit margin increased from 20% to 24%, mainly due to the increase in sales volume of scooters which posses a relatively high profit margin.

DISTRIBUTION EXPENSES

The Group's distribution expenses increased by 12%, from US$5.7 million for the six months ended 30 June 2009 to US$6.4 million for the six months ended 30 June 2010. This increase was mainly due to the increase in advertising expenses of US$0.3 million and warranty of US$0.4 million.

TECHNOLOGY TRANSFER FEES

The technology transfer fees increased by 28%, from US$2.4 million for the six months ended 30 June 2009 to US$3.1 million for the six months ended 30 June 2010. This increase was largely due to a increase in the sales volume of SYM – branded motorbikes particularly scooters.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 10%, from US$6.1 million for the six months ended 30 June 2009 to US$6.8 million for the six months ended 30 June 2010, accounting for 6% of the Group's total revenue for the six months ended 30 June 2010. This was principally as a consequence of the increase in staff costs of US$1.2 million.

OTHER INCOME

The Group received an insurance compensation amounted to US$1.0 million during the six months ended 30 June 2010, this was the 2nd received installment of our claim from insurance company in respect of losses on inventories and property, plant and equipment as arising from fire amounted to US$3.0 million in 2008. The Group submitted an insurance claim of approximately US$3 million in 2008, we have already received insurance compensations of US$1 million in 2009 and US$1 million during the period.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's profit from operating activities increased by 178%, from US$4.3 million for the six months ended 30 June 2009 to US$11.8 million for the six months ended 30 June 2010.

NET FINANCE INCOME

The Group's net finance income increased by 128%, from US$1.0 million for the six months ended 30 June 2009 to US$2.2 million for the six months ended 30 June 2010. This increase was mainly attributable to an increase in the interest income from banks of US$1.4 million during the period. Exchange losses arisen from deterioration of exchange rate of the Vietnamese Dong against the US dollar for the period amounted to US$0.9 million as compared with US$0.8 million of same period of preceding year.

PROFIT FOR THE PERIOD AND PROFIT MARGIN

As a result of the factors discussed above, the Group's profit for the period, after income tax, increased by 177%, from US$4.0 million for the six months ended 30 June 2009 to US$11.2 million for the six months ended 30 June 2010, and the Group's net profit margin increased from 4% for the six months ended 30 June 2009 to 10% for the six months ended 30 June 2010.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group's net current assets amounted to US$107.6 million (31 December 2009: US$122.3 million) which consisted of current assets amounting to US$137.8 million (31 December 2009: US$175.6 million) and current liabilities amounting to US$30.2 million (31 December 2009: US$53.3 million).

As at 30 June 2010, the interest-bearing borrowings repayable within one year was originally denominated in Vietnamese Dong amounted to US$0.3 million (31 December 2009: US$8.0 million, of which US$2.0 million was denominated in US$ and US$6.0 million was originally denominated in HK$). As at 30 June 2010, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2009: US$0.02 million which was denominated in US$). As at 30 June 2010, the gearing ratio was 0.2% (31 December 2009: 5%) calculated by dividing total interest-bearing borrowings by total equity.

As at 30 June 2010, the cash and bank balances (including pledged bank deposits), amounted to US$95.9 million, including US$56.9 million which was originally denominated in Vietnamese Dong, US$36.6 million which was denominated in US$ and US$2.4 million which was originally denominated in HK$, NTD and IDR (31 December 2009: US$116.5 million, including US$84.8 million which was originally denominated in Vietnamese Dong and US$31.3 million which was denominated in US$).

As at 30 June 2010, the Group had no available-for-sale financial assets (31 December 2009: US$8.4 million).

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

PLEDGE OF ASSETS

As at 30 June 2010, pledged bank deposits amounting to US$0.2 million (31 December 2009: pledged bank deposits of US$1.6 million and available-for-sale financial assets of US$8.4 million) were pledged with banks as security for certain banking facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong or US dollars. The Group was not exposed to material exchange risk and had not employed any financial instruments for hedging purposes.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2010, the capital commitments of the Group amounted to US$7.7 million (31 December 2009: US$8.3 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 30 June 2010.

CONTINGENT ASSET

A fire broke out in one of VMEP's factories and has resulted in losses to the Group's inventories and property, plant and equipment in September 2008. The Group submitted an insurance claim of approximately US$3.0 million in September 2008 for the losses. Up to the date of issue of these financial statements, the Group has received insurance compensation totaling US$2 million. However, the insurance company has yet to confirm the final compensation amounts. No asset is recognised in respect of the remaining insurance claim.

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 30 June 2010, the Group had 2006 employees (30 June 2009: 1,725). The total amount of salaries and related costs for the six months ended 30 June 2010 amounted to US$6.5 million (six months ended 30 June 2009: US$5.3 million).

CHANGES SINCE 31 DECEMBER 2009

Save as disclosed in this report, since 31 December 2009, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed, "Management Discussion and Analysis", in the annual report of the Company for the year ended 31 December 2009.

PROSPECTS

Looking ahead, the Vietnamese macro economic conditions and the financial market will still remain uncertain. As the Vietnamese government has introduced a series of fiscal stimulus measures, we are optimistic that the Vietnam's economy will continue to grow at a steady and rapid pace, whereas the motorbike industry is also expected to have a faster growth. While most countries in the ASEAN region have achieved economic improvements in the first half of 2010 and their motorbike industries have been grown when compared with the corresponding period of previous year, it is optimistic that these improvements will be continued in the forthcoming future.

The Group will continue to explore new models, to promote innovation, to minimize costs and to enhance product quality so as to maintain steady growth. In particular, the Group's new research and development centre has already been completed and was commenced its operations, this will greatly improve the group competitive strength. We will introduce three new or modified motorbike models in the second half of this year, and these include the "Electric Fuel Injection" models which are both highly fuel efficient and environmental friendly. The Group will also expand its distribution network in Vietnam and further strengthen its marketing efforts to enhance their overall brand image. To drive further growth for the Group's overseas business, we will continue to devote efforts to expand the ASEAN markets, particularly the Philippines, Malaysia and Thailand.

Barring unforeseen circumstances, the management is optimistic that the improved performance recorded in the first half of the year will continue into the second half of fiscal 2010. This, coupled with our first-class research and development capabilities and healthy financial position, will enable the Group to achieve robust performance in the future. The Group is confident that it will achieve good results and maximise returns to the shareholders of the Company.

APPLICATION OF IPO PROCEEDS

The proceeds from the IPO of the Company in December 2007, net of listing expenses, amounted to US$76.7 million. As at 30 June 2010, such net proceeds were utilized in the following manner:

	Per Prospectus *US$' million*	**Amount Utilized** *US$' million*	**Balances as at 30 June 2010** *US$' million*
Construction of research and development centre in Vietnam	15.0	11.1	3.9
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.0	45.0
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	20.5	56.2

The unutilized balance was placed with several reputable financial institutions as deposits mainly denominated in Vietnam Dong or US dollars. For further details, please see the paragraph above headed "Liquidity and Financial Resources".

ADDITIONAL INFORMATION

SHARE OPTION SCHEMES

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.

As at 30 June 2010, details of such grant of share options are as follows:

	Number of share options				
	Outstanding at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2010
Directors:					
Mr. Chang Kwang Hsiung	498,000	–	–	–	498,000
Mr. Chen Pang Hsiung (resigned on 1 January 2010)	498,000	–	–	(498,000)	–
Mr. Lee Hsi Chun	398,000	–	–	–	398,000
Mr. Wang Ching Tung	398,000	–	–	–	398,000
Mr. Huang Kwang Wuu	498,000	–	–	–	498,000
Mr. Liu Wu Hsiung Harrison	413,000	–	–	–	413,000
	2,703,000	–	–	(498,000)	2,205,000
Employees	6,370,000	–	–	(597,000)	5,773,000
Sub-total	9,073,000	–	–	(1,095,000)	7,978,000
Other qualified participants	6,947,000	–	–	(49,000)	6,898,000
Total	16,020,000	–	–	(1,144,000)	14,876,000

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 binomial 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 six months ended 30 June 2010 amounting to approximately US$0.1 million (2009: US$0.2 million) 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 IN SHARES

As at 30 June 2010, 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%

Save as disclosed above, as at 30 June 2010, 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 six months ended 30 June 2010 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 of the Company are aware, as at 30 June 2010, 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
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%

Note:

(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 30 June 2010, 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2010, the Group had no material acquisition or disposal of subsidiaries and associated companies.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors of the Company, having considered amongst others, the findings of reviews and/or audits conducted by the independent professional parties, the Company has applied the principles and complied with all the applicable code provisions as set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2010.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company. Having made specific enquiry, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the six months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2010, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The interim results for the six months ended 30 June 2010 have been reviewed by the audit committee of the Company which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2010. Accordingly, no closure of the Register of Members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.vmeph.com. The 2010 interim report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

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

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

Hong Kong, 20 August 2010

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

REVIEW REPORT TO THE BOARD OF DIRECTORS OF VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED FOR THE SIX MONTHS ENDED 30 JUNE 2010

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 32 which comprises the consolidated balance sheet of Vietnam Manufacturing and Export Processing (Holdings) Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") as of 30 June 2010, and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

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

20 August 2010

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010 – unaudited

		Six months ended 30 June	
		2010	2009
	Note	***US$***	*US$*
Revenue	*6*	**112,727,842**	91,059,053
Cost of sales		**(85,281,211)**	(72,435,050)
Gross profit		**27,446,631**	18,624,003
Other income	*7*	**1,200,391**	90,867
Distribution expenses		**(6,376,761)**	(5,686,660)
Technology transfer fees	*18(a)*	**(3,084,886)**	(2,416,395)
Administrative expenses		**(6,759,556)**	(6,139,804)
Other expenses		**(594,848)**	(221,428)
Results from operating activities		**11,830,971**	4,250,583
Finance income		**3,245,308**	1,965,019
Finance expenses		**(1,007,429)**	(981,335)
Net finance income	*8(a)*	**2,237,879**	983,684
Share of profits of an equity accounted investee		**169,681**	57,104
Profit before income tax	*9*	**14,238,531**	5,291,371
Income tax expense	*9*	**(3,028,902)**	(1,244,697)
Profit for the period		**11,209,629**	4,046,674
Attributable to:			
Equity holders of the Company		**11,209,629**	4,046,674
Earnings per share			
– basic	*11*	**0.012**	0.004
– diluted	*11*	**0.012**	0.004

The notes on pages 19 to 32 form part of the interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010 – unaudited

		Six months ended 30 June	
		2010	2009
	Note	***US$***	*US$*
Profit for the period		**11,209,629**	4,046,674
Other comprehensive income for the period (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		**(3,345,557)**	(975,276)
Total comprehensive income for the period		**7,864,072**	3,071,398
Attributable to:			
Equity holders of the Company		**7,864,072**	3,071,398

The notes on pages 19 to 32 form part of the interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2010 – unaudited

	Note	At 30 June 2010 US$	At 31 December 2009 US$
Assets			
Property, plant and equipment	12	**42,638,759**	39,334,108
Intangible assets		**112,880**	78,893
Lease prepayments		**709,935**	766,158
Goodwill		**–**	8,751
Investment in an equity accounted investee		**941,498**	771,816
Time deposit		**3,000,000**	3,000,000
Deferred tax assets		**430,951**	1,052,266
Non-current assets		**47,834,023**	45,011,992
Inventories		**30,710,918**	33,720,430
Trade receivables, other receivables and prepayments	13	**14,158,387**	19,931,444
Income tax recoverable		**914**	37,168
Available-for-sale financial assets		**–**	8,361,213
Pledged bank deposits	14	**157,500**	1,564,695
Time deposits maturing after three months		**13,629,602**	22,651,658
Cash and cash equivalents		**79,100,387**	89,301,938
Current assets		**137,757,708**	175,568,546
Total assets		**185,591,731**	220,580,538
Liabilities			
Trade and other payables	15	**27,485,998**	42,449,485
Interest-bearing borrowings	16	**300,000**	7,973,680
Income tax payables		**849,385**	1,453,062
Provisions		**1,544,465**	1,422,463
Total current liabilities		**30,179,848**	53,298,690
Interest-bearing borrowings	16	**–**	19,180
Total non-current liabilities		**–**	19,180
Total liabilities		**30,179,848**	53,317,870
Net current assets		**107,577,860**	122,269,856
Total assets less current liabilities		**155,411,883**	167,281,848
Net assets		**155,411,883**	167,262,668

CONSOLIDATED BALANCE SHEET *(Continued)*

At 30 June 2010 – unaudited

	Note	At 30 June 2010 US$	At 31 December 2009 US$
Equity			
Paid-in capital		**1,162,872**	1,162,872
Reserves		**154,249,011**	166,099,796
Total equity attributable to equity holders of the Company		**155,411,883**	167,262,668
Total liabilities and equity		**185,591,731**	220,580,538

Approved and authorised for issue by the Board of Directors on 20 August 2010.

Director *Director*

LOU HEN WEN **LEE HSI CHUN**

The notes on pages 19 to 32 form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010 – unaudited

	Attributable to equity shareholders of the Company						
	Paid-in capital *US$*	Share premium *US$*	Capital reserve *US$*	Exchange reserve *US$*	Statutory reserve *US$*	Retained profits *US$*	Total *US$*
At 1 January 2009	1,162,872	112,198,709	1,274,141	(7,748,116)	505	65,116,744	172,004,855
Dividends *(Note 10(b))*	–	–	–	–	–	(2,399,050)	(2,399,050)
Equity-settled share-based payment	–	–	241,791	–	–	–	241,791
Total comprehensive income for the period	–	–	–	(975,276)	–	4,046,674	3,071,398
At 30 June 2009	1,162,872	112,198,709	1,515,932	(8,723,392)	505	66,764,368	172,918,994

	Attributable to equity shareholders of the Company						
	Paid-in capital *US$*	Share premium *US$*	Capital reserve *US$*	Exchange reserve *US$*	Statutory reserve *US$*	Retained profits *US$*	Total *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
Dividends *(Note 10(b))*	–	–	–	–	–	(19,818,597)	(19,818,597)
Equity-settled share-based payment	–	–	103,740	–	–	–	103,740
Total comprehensive income for the period	–	–	–	(3,345,557)	–	11,209,629	7,864,072
At 30 June 2010	1,162,872	112,198,709	1,840,889	(15,277,100)	1,181	55,485,332	155,411,883

The notes on pages 19 to 32 form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010 – unaudited

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Cash generated from operations	**9,602,492**	20,236,358
Corporate income tax paid	**(3,002,524)**	(54,282)
Net cash from operating activities	**6,599,968**	20,182,076
Net cash from investing activities	**11,575,144**	11,618,120
Net cash used in financing activities	**(25,803,990)**	(32,574,723)
Net decrease in cash and cash equivalents	**(7,628,878)**	(774,527)
Cash and cash equivalents at the beginning of the period	**89,301,938**	47,439,732
Effect of foreign exchange rates changes	**(2,572,673)**	(536,906)
Cash and cash equivalents at the end of the period	**79,100,387**	46,128,299

The notes on pages 19 to 32 form part of the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. REPORTING 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 on 20 December 2007.

2. BASIS OF PREPARATION

The Company has a financial year end date of 31 December. This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The interim financial report has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets.

The interim financial report for the six months ended 30 June 2010 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 20 August 2010. The interim financial report has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's review report to the Board of Directors is included on page 12.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2010.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation 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:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Improvements to IFRSs (2009)
- IFRIC 17, *Distributions of non-cash assets to owners*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3, IAS 27, IFRS 5 and IFRIC 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  - If the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods.

- IFRIC 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measured such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in IFRIC 17, this new accounting policy will be applied prospectively to distributions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively.

4. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared on the same accounting policies adopted in the 2009 annual financial statement except for accounting policy changes set out in Note 3, and should be read in conjunction with the 2009 annual financial statements.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 and in any future periods affected.

In preparing the interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to and are disclosed in the 2009 annual financial statements.

6. REVENUE AND SEGMENT REPORTING

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

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

(a) Segment results

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

	Six months ended 30 June 2009			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Group** *US$*
Revenue from external customers	78,964,515	11,965,695	128,843	91,059,053
Inter-segment revenue	–	32,894,586	1,076,346	33,970,932
Reportable segment revenue	78,964,515	44,860,281	1,205,189	125,029,985
Reportable segment profits (Adjusted EBIT)	1,706,298	3,373,583	327,758	5,407,639

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Profit		
Reportable segment profit derived from Group's external customers	**13,707,519**	5,407,639
Net finance income	**2,237,879**	983,684
Share of profits of an equity accounted investee	**169,681**	57,104
Unallocated corporate expenses	**(1,876,548)**	(1,157,056)
Consolidated profit before income tax	**14,238,531**	5,291,371

7. OTHER INCOME

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 an amount of US$1 million in September 2009. During the period, the Group received a second installment of the insurance compensation amounting to US$1 million. The corresponding gain is recognised in other income for the six months ended 30 June 2010.

8. PROFIT BEFORE INCOME TAX

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

(a) Finance income and expense

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Interest income from banks	**3,242,562**	1,793,848
Interest income from available-for-sale financial assets	**2,746**	171,171
Finance income	**3,245,308**	1,965,019
Interest paid and payable to banks	**(90,050)**	(182,394)
Net foreign exchange losses	**(917,379)**	(798,941)
Finance expense	**(1,007,429)**	(981,335)
Net finance income	**2,237,879**	983,684

8. PROFIT BEFORE INCOME TAX (Continued)

(b) Staff cost

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Wages and salaries	**3,984,593**	3,526,177
Staff welfare	**1,814,895**	1,186,384
Equity settled share-based payment expenses	**55,636**	133,827
Contributions to defined contribution plan	**325,179**	258,584
Severance allowance	**316,843**	197,746
Total	**6,497,146**	5,302,718

(c) Other items

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Amortisation of lease prepayments/intangible assets	**68,687**	127,655
Depreciation of property, plant and equipment	**3,778,892**	3,514,880
Equity settled share-based payment expenses – employees of the ultimate holding company	**48,104**	107,964
Impairment losses on goodwill	**8,751**	–
Impairment losses on property, plant and equipment	**478,921**	–
Loss on disposal of property, plant and equipment (net)	**8,748**	101,198
Research and development expenses	**3,715,016**	3,622,041
Write down of inventories	**294,408**	644,441

9. INCOME TAX EXPENSE

Recognised in the income statement

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Current tax expenses		
– current tax	**2,349,717**	1,450,356
– under/(over) provision in prior period	**78,549**	(52,089)
Deferred tax expense		
– origination and reversal of temporary differences	**600,636**	(153,570)
	3,028,902	1,244,697

9. INCOME TAX EXPENSE (Continued)

No provision for Hong Kong Profits Tax has been made, as the Group did not earn any income subject to Hong Kong Profits Tax for the six months ended 30 June 2010.

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

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

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

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

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

In accordance with the Income Tax Law of Indonesia, the applicable tax rate for PT Sanyang Industri Indonesia is 10% for the amount of net profit below Indonesia Rupiah ("IDR") 50 million, and 15% and 30% for the amount of net profit at or above IDR 50 million and IDR100 million, respectively.

10. DIVIDENDS

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

The Directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2010 (2009: US$Nil).

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

	2010 ***US$***	2009 *US$*
Final dividend in respect of the previous period, declared and paid during the period of US$0.0219 per ordinary share (2009: US$0.0026)	**19,818,597**	2,399,050

11. 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$11,209,629 (six months ended 30 June 2009: US$4,046,674) and 907,680,000 ordinary shares (six months ended 30 June 2009: 907,680,000 ordinary shares) in issue during the interim period.

Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2010 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

12. PROPERTY, PLANT AND EQUIPMENT

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

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Additions	**8,912,857**	4,457,436
Disposals (net carrying amount)	**(22,744)**	(132,636)
Effect of movements in exchange rate	**(1,317,649)**	(229,664)

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June	At 31 December
	2010	2009
	US$	*US$*
Trade receivables	**4,056,312**	3,174,018
Non-trade receivables	**3,259,111**	2,846,144
Prepayments	**6,568,382**	10,437,562
Amounts due from related parties *(Note 18(b))*		
– trade	**179,728**	966,325
– non-trade	**94,854**	2,507,395
	14,158,387	19,931,444

The Group's exposure to credit risk is minimal as the Group generally offers no credit terms to domestic customers in Vietnam, which accounted for approximately 87% (six months ended 30 June 2009: 89%) of total customers for the six-month period ended 30 June 2010. 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.

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

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

	At 30 June 2010 *US$*	At 31 December 2009 *US$*
Within three months	**4,214,900**	4,115,149
More than three months but within one year	**21,140**	25,194
	4,236,040	4,140,343

14. PLEDGED BANK DEPOSITS

	At 30 June 2010 *US$*	At 31 December 2009 *US$*
Pledged bank deposits		
– denominated in Vietnam Dong	**157,500**	1,564,695

Bank deposits have been pledged to banks as security for certain banking facilities of the Group.

15. TRADE AND OTHER PAYABLES

	At 30 June 2010 *US$*	At 31 December 2009 *US$*
Trade payables	**9,864,721**	13,717,865
Other payables and accrued operating expenses	**8,435,126**	10,428,679
Advances from customers	**2,916,448**	4,342,080
Amounts due to related parties *(Note 18(c))*		
– trade	**6,269,703**	13,955,614
– non-trade	**–**	5,247
	27,485,998	42,449,485

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

	At 30 June 2010 *US$*	At 31 December 2009 *US$*
Within three months	**15,806,115**	27,330,302
More than three months but within one year	**257,276**	274,538
More than one year but within five years	**71,033**	68,639
	16,134,424	27,673,479

16. INTEREST-BEARING BORROWINGS

	At 30 June 2010 US$	At 31 December 2009 US$
Current	**300,000**	7,973,680
Non-current	**–**	19,180
	300,000	7,992,860

Movements in interest-bearing borrowings were as follows:

	Six months ended 30 June 2010 US$	Six months ended 30 June 2009 US$
At the beginning of the period	**7,992,860**	39,838,732
Proceeds from borrowings	**4,310,550**	4,201,801
Repayment of borrowings	**(11,563,342)**	(36,759,772)
Effect of movements in exchange rate	**(440,068)**	(180,457)
At the end of the period	**300,000**	7,100,304

17. CONTINGENT ASSET

With reference to Note 7, up to the date of issue of these financial statements, the Group has received insurance compensation totaling US$2 million. However, the insurance company has yet to confirm the final compensation amounts. No asset is recognised in respect of the remaining insurance claim.

18. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2010, 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 and 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

18. RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

	Six months ended 30 June	
	2010	2009
	US$	*US$*
Sales of finished goods or/and spare parts:		
Sanyang Industry Co., Ltd.	**425,953**	674,501
Xia Shing Xiamen Motorcycle Co., Ltd.	**36,900**	12,591
Teamworld Industries Corporation	**21,804**	44,772
Sanyang Vietnam Automobile Co., Ltd.	**37,984**	–
	522,641	731,864
Purchases of raw materials or/and finished goods:		
Sanyang Industry Co., Ltd.	**7,762,038**	4,214,460
Xia Shing Xiamen Motorcycle Co., Ltd.	**–**	1,797
Sanyang Global Co., Ltd.*	**4,959,663**	2,706,399
Vietnam Three Brothers Machinery Industry Co., Limited	**2,035,149**	1,775,655
	14,756,850	8,698,311

* *During the period, the Group, through VMEP, purchased raw materials totaling US$4,233,076 (six months ended 30 June 2009: US$2,027,424) from Sanyang Global Co., Ltd.. The remaining amount of US$726,587 (six months ended 30 June 2009: US$678,975) was in respect of the purchases of finished goods through Chin Zong.*

Purchases of property, plant and equipment:		
Sanyang Industry Co., Ltd.	**31,895**	573,219
Technology transfer fees:		
Sanyang Industry Co., Ltd.	**3,084,886**	2,416,395
Technical consultancy fee:		
Sanyang Industry Co., Ltd.	**554,600**	404,567

18. RELATED PARTY TRANSACTIONS (Continued)

(b) Amount due from related companies

	At 30 June 2010 US$	At 31 December 2009 US$
Trade		
Sanyang Global Co., Ltd.	**3,017**	391,593
Sanyang Industry Co., Ltd.	**125,430**	286,410
Sanyang Vietnam Automobile Co., Ltd.	**15,564**	13,381
Teamworld Industries Corporation	**10,305**	312
Vietnam Three Brothers Machinery Industry Co., Ltd.	**812**	272,870
Xia Shing Xiamen Motorcycle Co., Ltd.	**24,600**	1,759
Sub-total	**179,728**	966,325
Non-trade		
Sanyang Global Co., Ltd.	**42,626**	–
Sanyang Industry Co., Ltd.	**4,832**	2,507,395
Vietnam Three Brothers Machinery Industry Co., Ltd.	**47,396**	–
Sub-total	**94,854**	2,507,395
Total	**274,582**	3,473,720

(c) Amount due to related parties

	At 30 June 2010 US$	At 31 December 2009 US$
Trade		
Sanyang Global Co., Ltd.	**1,279,663**	2,088,998
Sanyang Industry Co., Ltd.	**4,725,914**	10,987,557
Teamworld Industries Corporation	**–**	21,300
Vietnam Three Brothers Machinery Industry Co., Ltd.	**264,126**	837,263
Xia Shing Xiamen Motorcycle Co., Ltd.	**–**	20,496
Sub-total	**6,269,703**	13,955,614
Non-trade		
Sanyang Industry Co., Ltd.	**–**	5,247
Total	**6,269,703**	13,960,861

19. COMMITMENTS

(a) Capital commitments

Capital commitments outstanding at the balance sheet date not provided for were as follows:

	At 30 June 2010 *US$*	At 31 December 2009 *US$*
Contracted for	**2,047,709**	2,528,262
Authorised but not contracted for	**5,635,598**	5,780,910
	7,683,307	8,309,172

The capital commitments contracted for and authorised but not contracted for as at 30 June 2010 were mainly in respect of the construction of a new research and development centre.

(b) Operating lease commitments

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

	At 30 June 2010 *US$*	At 31 December 2009 *US$*
Within 1 year	**391,430**	368,965
After 1 year but within 5 years	**781,052**	809,834
After 5 years	**2,847,651**	2,905,943
	4,020,133	4,084,742

The leases run for an initial period of one to fifty years.