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 2011

Hồ Hoàn Kiếm
(Lake of the Returned Sword),
Hanoi
JoyRide EFI
EFI (Electric Fuel Injection) Scooter
launch on July 2011

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue increased from US$112.7 million for the six months ended 30 June 2010 to US$143.8 million for the six months ended 30 June 2011, and the Group's net profit after tax was US$12.5 million for the six months ended 30 June 2011 as compared with US$11.2 million for the six months ended 30 June 2010, representing an increase of 28% and 11% respectively. To mitigate the adverse impact on its operations, the Group has maintained strict controls over its operating costs and capital expenditures.

REVENUE

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

COST OF SALES

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

DISTRIBUTION EXPENSES

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

TECHNOLOGY TRANSFER FEES

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

ADMINISTRATIVE EXPENSES

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

OTHER INCOME

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

RESULTS FROM OPERATING ACTIVITIES

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

NET FINANCE INCOME

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

PROFIT FOR THE PERIOD AND PROFIT MARGIN

As a result of the factors discussed above, the Group's profit for the period, after income tax, increased by 11%, from US$11.2 million for the six months ended 30 June 2010 to US$12.5 million for the six months ended 30 June 2011, but the Group's net profit margin decreased from 10% for the six months ended 30 June 2010 to 9% for the six months ended 30 June 2011.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2011, the capital commitments of the Group amounted to US$22.5 million (31 December 2010: US$0.6 million), which will all be paid off using the proceeds from the initial public offering ("IPO") of the shares of the Company in connection with its listing on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and cash generated from the Group's operations.

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

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia and Hong Kong, and regularly reviews its remuneration packages in the light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, share options, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 30 June 2011, the Group had 2,237 employees (30 June 2010: 2,006). The total amount of salaries and related costs for the six months ended 30 June 2011 amounted to US$7.0 million (six months ended 30 June 2010: US$6.5 million).

CHANGES SINCE 31 DECEMBER 2010

Save as disclosed in this report, since 31 December 2010, there were no other significant changes in the Group's financial position and there were no other significant changes in relation to the information disclosed under the section headed, "Management Discussion and Analysis", in the annual report of the Company for the year ended 31 December 2010.

PROSPECTS

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

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

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

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

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

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

APPLICATION OF IPO PROCEEDS

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

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

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

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 2011, details of such grant of share options are as follows:

	Number of share options				
	Outstanding at 1 January 2011	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 30 June 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	–	–	(1,058,000)	4,089,000
Sub-total	6,854,000	–	–	(1,058,000)	5,796,000
Other qualified participants	6,658,000	–	–	–	6,658,000
Total	13,512,000	–	–	(1,058,000)	12,454,000

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 2011 amounting to approximately US$0.02 million (2010: US$0.1 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 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 30 June 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 six months ended 30 June 2011 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 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
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 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 June 2011, 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 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct in respect of transactions in securities of the Company by the directors of the Company. Having made specific enquiry, the Company confirms that the directors of the Company have complied with the required standard set out in the Model Code for the six months ended 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2011, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

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

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2011. Accordingly, no closure of the Register of Members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the Company's website at www.vmeph.com. The 2011 interim report of the Company will also be published on the aforesaid websites in due course.

OUR APPRECIATION

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

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

Hong Kong, 19 August 2011

As at the date of this 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. Chiang Shih Huang and Mr. Liu Wu Hsiung Harrison, and two independent non-executive Directors, namely Ms. Lin Ching Ching and Mr. Wei Sheng Huang.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED
FOR THE SIX MONTHS ENDED 30 JUNE 2011
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 28 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 2011, and the related consolidated income statement and statement of comprehensive income and consolidated 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 2011 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

19 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011 – unaudited

	Note	Six months ended 30 June 2011 US$	2010 US$
Revenue	6	**143,771,172**	112,727,842
Cost of sales		**(116,495,582)**	(85,281,211)
Gross profit		**27,275,590**	27,446,631
Other income		**275,130**	1,200,391
Distribution expenses		**(7,433,474)**	(6,376,761)
Technology transfer fees	17(a)	**(3,813,129)**	(3,084,886)
Administrative expenses		**(6,051,622)**	(6,759,556)
Other expenses		**(126,844)**	(594,848)
Results from operating activities		**10,125,651**	11,830,971
Finance income		**5,426,277**	3,245,308
Finance expenses		**(17,540)**	(1,007,429)
Net finance income	7(a)	**5,408,737**	2,237,879
Share of profits of an equity accounted investee		**234,171**	169,681
Profit before income tax	7	**15,768,559**	14,238,531
Income tax expense	8	**(3,280,007)**	(3,028,902)
Profit for the period		**12,488,552**	11,209,629
Other comprehensive income for the period (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		**(6,670,308)**	(3,345,557)
Total comprehensive income for the period attributable to equity holders of the Company		**5,818,244**	7,864,072
Earnings per share			
– basic	10	**0.014**	0.012
– diluted	10	**0.014**	0.012

The notes on pages 18 to 28 form part of the interim financial report.

CONSOLIDATED BALANCE SHEET

At 30 June 2011 – unaudited

	Note	At 30 June 2011 US$	At 31 December 2010 US$
Assets			
Property, plant and equipment	11	**36,686,569**	40,814,779
Intangible assets		**144,087**	164,283
Lease prepayments	12	**6,564,147**	679,702
Investment in an equity accounted investee		**1,005,176**	771,005
Deferred tax assets		**104,560**	178,489
Non-current assets		**44,504,539**	42,608,258
Inventories		**31,041,408**	26,742,020
Trade receivables, other receivables and prepayments	13	**12,324,986**	10,572,687
Income tax recoverable		**28,508**	15,548
Financial assets at fair value through profit or loss	14	**1,000,000**	–
Time deposits maturing after three months		**19,092,144**	13,606,410
Cash and cash equivalents		**103,428,325**	116,147,982
Current assets		**166,915,371**	167,084,647
Total assets		**211,419,910**	209,692,905
Liabilities			
Trade and other payables	15	**34,778,968**	37,237,014
Interest-bearing borrowings	16	**–**	1,125,966
Income tax payables		**1,185,363**	1,698,142
Provisions		**1,955,140**	1,967,625
Total current liabilities		**37,919,471**	42,028,747
Total non-current liabilities		**–**	–
Total liabilities		**37,919,471**	42,028,747
Net current assets		**128,995,900**	125,055,900
Total assets less current liabilities		**173,500,439**	167,664,158
Net assets		**173,500,439**	167,664,158

CONSOLIDATED BALANCE SHEET *(Continued)*

At 30 June 2011 – unaudited

	Note	At 30 June 2011 US$	At 31 December 2010 US$
Equity			
Paid-in capital		**1,162,872**	1,162,872
Reserves		**172,337,567**	166,501,286
Total equity attributable to equity holders of the Company		**173,500,439**	167,664,158
Total liabilities and equity		**211,419,910**	209,692,905

Approved and authorised for issue by the Board of Directors on 19 August 2011.

Director *Director*

LOU HEN WEN **LEE HSI CHUN**

The notes on pages 18 to 28 form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 – 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 2010	1,162,872	112,198,709	1,737,149	(11,931,543)	1,181	64,094,300	167,262,668
Profit for the period	–	–	–	–	–	11,209,629	11,209,629
Other comprehensive income	–	–	–	(3,345,557)	–	–	(3,345,557)
Total comprehensive income for the period	–	–	–	(3,345,557)	–	11,209,629	7,864,072
Dividends *(Note 9(b))*	–	–	–	–	–	(19,818,597)	(19,818,597)
Equity-settled share-based payment	–	–	103,740	–	–	–	103,740
Total transactions with owners of the Company, recognised directly in equity	–	–	103,740	–	–	(19,818,597)	(19,714,857)
At 30 June 2010	1,162,872	112,198,709	1,840,889	(15,277,100)	1,181	55,485,332	155,411,883

	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 2011	1,162,872	112,198,709	1,944,628	(17,029,100)	1,181	69,385,868	167,664,158
Profit for the period	–	–	–	–	–	12,488,552	12,488,552
Other comprehensive income	–	–	–	(6,670,308)	–	–	(6,670,308)
Total comprehensive income for the period	–	–	–	(6,670,308)	–	12,488,552	5,818,244
Equity-settled share-based payment	–	–	18,037	–	–	–	18,037
Total transactions with owners of the Company, recognised directly in equity	–	–	18,037	–	–	–	18,037
At 30 June 2011	1,162,872	112,198,709	1,962,665	(23,699,408)	1,181	81,874,420	173,500,439

The notes on pages 18 to 28 form part of the interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011 – unaudited

	Six months ended 30 June	
	2011	2010
	US$	*US$*
Cash generated from operations	**5,408,658**	9,602,492
Corporate income tax paid	**(3,651,143)**	(3,002,524)
Net cash from operating activities	**1,757,515**	6,599,968
Net cash (used in)/from investing activities	**(9,045,421)**	11,575,144
Net cash used in financing activities	**(1,077,136)**	(25,803,990)
Net decrease in cash and cash equivalents	**(8,365,042)**	(7,628,878)
Cash and cash equivalents at the beginning of the period	**116,147,982**	89,301,938
Effect of foreign exchange rates changes	**(4,354,615)**	(2,572,673)
Cash and cash equivalents at the end of the period	**103,428,325**	79,100,387

The notes on pages 18 to 28 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 2010 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim financial report for the six months ended 30 June 2011 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 19 August 2011. The interim financial report has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. 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 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2011.

3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*

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

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 remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

4. SIGNIFICANT ACCOUNTING POLICIES

The interim financial report has been prepared on the same accounting policies adopted in the 2010 annual financial statement except for accounting policy changes set out in Note 3, and should be read in conjunction with the 2010 annual financial statements.

In the current interim period, the Group has adopted the following accounting policies in respect of financial assets at fair value through profit or loss:

(a) Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

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 2010 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 2011			
	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	125,766,738	17,955,020	49,414	143,771,172
Inter-segment revenue	–	51,296,564	713,600	52,010,164
Reportable segment revenue	125,766,738	69,251,584	763,014	195,781,336
Reportable segment profits (Adjusted EBIT)	6,318,838	5,096,388	126,576	11,541,802

	Six months ended 30 June 2010			
	Manufacture and sales of motorbikes *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

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit or loss

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

7. PROFIT BEFORE INCOME TAX

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

(a) Finance income and expense

	2011 US$	2010 US$
Interest income from banks	**5,366,077**	3,242,562
Net foreign exchange gains	**60,200**	–
Interest income from available-for-sale financial assets	**–**	2,746
Finance income	**5,426,277**	3,245,308
Interest paid and payable to banks	**(17,540)**	(90,050)
Net foreign exchange losses	**–**	(917,379)
Finance expense	**(17,540)**	(1,007,429)
Net finance income	**5,408,737**	2,237,879

(b) Staff cost

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

7. PROFIT BEFORE INCOME TAX (Continued)

(c) Other items

	Six months ended 30 June	
	2011	2010
	US$	*US$*
Amortisation of lease prepayments/intangible assets	**109,350**	68,687
Depreciation of property, plant and equipment	**3,698,383**	3,778,892
Equity-settled share-based payment expenses – employees of the ultimate holding company	**9,642**	48,104
Impairment losses on goodwill	**–**	8,751
Impairment losses on property, plant and equipment	**–**	478,921
(Gains)/loss on disposal of property, plant and equipment (net)	**(57,553)**	8,748
Research and development expenses	**4,097,055**	3,715,016
Write down of inventories	**120,192**	294,408

8. INCOME TAX EXPENSE

Recognised in the income statement

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

No provision for Hong Kong Profits Tax has been made, as the Group did not earn any income subject to Hong Kong Profits Tax for the six months ended 30 June 2011.

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

In accordance with the Law of Foreign Investment of 1987, as amended in 1990 and 1992 in Vietnam, provision for corporate income tax ("CIT") for Vietnam Manufacturing and Export Processing Co., Limited ("VMEP"), a wholly-owned subsidiary of the Company, 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.

8. INCOME TAX EXPENSE (Continued)

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%.

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

9. 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 2011 (six months ended 30 June 2010: US$Nil).

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

	Six months ended 30 June	
	2011	2010
	US$	*US$*
Final dividend in respect of the previous period, declared and paid during the period of US$Nil per ordinary share (six months ended 30 June 2010: US$0.0219)	**–**	19,818,597

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of US$12,488,552 (six months ended 30 June 2010: US$11,209,629) and 907,680,000 ordinary shares (six months ended 30 June 2010: 907,680,000 ordinary shares) in issue during the interim period.

Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the six months ended 30 June 2011 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

11. 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:

Additions	**1,790,776**	8,912,857
Disposals (net carrying amount)	**(25,939)**	(22,744)
Effect of movements in exchange rate	**(2,194,664)**	(1,317,649)

12. LEASE PREPAYMENT

The additions, disposals and the effect of movements in exchange rate of the items of lease prepayment are as follows:

	Six months ended 30 June	
	2011	2010
	US$	*US$*
Additions	**6,056,390**	–
Amortisation for the period	**(66,470)**	(31,761)
Effect of movements in exchange rate	**(105,475)**	(24,461)

The additions of lease prepayment in the six month ended 30 June 2011 represents the prepaid land rentals to Phu My Group for a piece of new land leased to relocate one of the Group's factories from Ha Tay province to a new location.

13. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	At 30 June	At 31 December
	2011	2010
	US$	*US$*
Trade receivables	**2,720,572**	2,931,202
Non-trade receivables	**4,799,205**	2,609,072
Prepayments	**4,463,064**	4,878,633
Amounts due from related parties *(Note 17(b))*		
– trade	**341,863**	153,624
– non-trade	**282**	156
	12,324,986	10,572,687

The Group's exposure to credit risk is minimal as the Group generally offers no credit terms to domestic customers in Vietnam, which accounted for approximately 88% (six months ended 30 June 2010: 87%) of total customers for the six-month period ended 30 June 2011. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

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

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

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2011 *US$*	At 31 December 2010 *US$*
Structured deposit	**1,000,000**	–

The financial assets at fair value through profit or loss are in respect of investments in a structured deposit. The deposit's maturity date was 11 July 2011. The Group follows the guidance of IAS 39, *Financial Instruments: Recognition and Measurement*, and determined the structured deposit as a hybrid instrument and has designated the entire hybrid instrument as a financial asset at fair value through profit or loss.

15. TRADE AND OTHER PAYABLES

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

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

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

16. INTEREST-BEARING BORROWINGS

Current	**–**	1,125,966
Non-current	**–**	–
	–	1,125,966

Movements in interest-bearing borrowings were as follows:

	Six months ended 30 June	
	2011 *US$*	2010 *US$*
At the beginning of the period	**1,125,966**	7,992,860
Proceeds from borrowings	**1,574,979**	4,310,550
Repayment of borrowings	**(2,652,115)**	(11,563,342)
Effect of movements in exchange rate	**(48,830)**	(440,068)
At the end of the period	**–**	300,000

17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 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

(a) Recurring transactions

	Six months ended 30 June	
	2011	2010
	US$	*US$*
Sales of finished goods or/and spare parts:		
Sanyang Industry Co., Ltd.	**333,183**	425,953
Xia Shing Xiamen Motorcycle Co., Ltd.	–	36,900
Teamworld Industries Corporation	–	21,804
Sanyang Vietnam Automobile Co., Ltd.	**39,857**	37,984
	373,040	522,641
Purchases of raw materials or/and finished goods:		
Sanyang Industry Co., Ltd.	**13,464,426**	7,762,038
Sanyang Global Co., Ltd.*	**6,757,124**	4,959,663
Vietnam Three Brothers Machinery Industry Co., Limited	**2,969,794**	2,035,149
	23,191,344	14,756,850

* *During the period, the Group, through VMEP, purchased raw materials totaling US$5,018,084 (six months ended 30 June 2010: US$4,233,076) from Sanyang Global Co., Ltd.. The remaining amount of US$1,739,040 (six months ended 30 June 2010: US$726,587) was in respect of the purchases of finished goods through Chin Zong.*

17. RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions (Continued)

	Six months ended 30 June 2011 US$	Six months ended 30 June 2010 US$
Purchases of property, plant and equipment:		
Sanyang Industry Co., Ltd.	**38,984**	31,895
Technology transfer fees:		
Sanyang Industry Co., Ltd.	**3,813,129**	3,084,886
Technical consultancy fee:		
Sanyang Industry Co., Ltd.	**27,550**	554,600

(b) Amount due from related parties

	At 30 June 2011 US$	At 31 December 2010 US$
Trade		
Sanyang Global Co., Ltd.	**1,664**	45,732
Sanyang Industry Co., Ltd.	**300,425**	107,892
Sanyang Vietnam Automobile Co., Ltd.	**39,774**	–
Sub-total	**341,863**	153,624
Non-trade		
Sanyang Industry Co., Ltd.	**176**	156
Vietnam Three Brothers Machinery Industry Co., Ltd.	**106**	–
Sub-total	**282**	156
Total	**342,145**	153,780

(c) Amount due to related parties

	At 30 June 2011 US$	At 31 December 2010 US$
Trade		
Sanyang Global Co., Ltd.	**1,931,901**	1,835,363
Sanyang Industry Co., Ltd.	**6,552,560**	3,983,459
Vietnam Three Brothers Machinery Industry Co., Ltd.	**542,421**	202,975
Sub-total	**9,026,882**	6,021,797
Non-trade		
Sanyang Industry Co., Ltd.	**22,762**	1,338
Total	**9,049,644**	6,023,135

18. COMMITMENTS

(a) Capital commitments

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

	At 30 June 2011 *US$*	At 31 December 2010 *US$*
Contracted for	–	629,688
Authorised but not contracted for	**22,512,927**	–
	22,512,927	629,688

The capital commitment authorised but not contracted for at 30 June 2011 is in respect of the relocation of one of the Group's factories and construction of a new factory. The authorised amount is an initial estimate and will be subject to regular review by the Group's Board of Directors.

The capital commitments contracted for as at 31 December 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:

Within 1 year	**230,538**	597,437
After 1 year but within 5 years	**573,812**	1,434,848
After 5 years	**1,945,967**	2,263,918
	2,750,317	4,296,203

The leases run for an initial period of one to fifty years. During the period ended 30 June 2011, the Group revised the lease term for the factory in Ha Tay province from 1 October 2044 to the end of 2012 due to the relocation to a new factory.