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 2012

"Attila Passing" Scooter

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

CONTENTS

Management Discussion & Analysis	2
Additional Information	8
Independent Auditors' Review Report	12
Consolidated Statement of Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	16
Condensed Consolidated Cash Flow Statement	17
Notes to the Unaudited Interim Financial Report	18

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 brand name. It also produces motorbike engines and parts for internal use and export as well as selling and providing services associated with moulds to make die-cast and forged metal parts.

OPERATION ENVIRONMENT

There was an overall slowdown in the Vietnam economy as its gross domestic product (GDP) grew at 4.4% in the first half of 2012, after a decade of economic expansion with GDP in the range of 7%, which was attributed to a radical decline of foreign direct investment in Vietnam from US$71 billion in 2008 to US$6 billion for the first half of 2012. The inflation rate dropped to a single digit at 6.9% in June 2012 as compared with a peak of 23% August 2011. The US$ against Vietnamese Dong exchange rate reached an all time high of 21,040 in February 2012, which has been getting stable recently as the trade deficit improved and the latest rate maintained at 20,860 in mid August this year. There was evidence that Vietnam's economy slowdown has hit bottom and the inflation appeared to be under control. Vietnam's government has contended recently that the economy would be back to normal with a robust 6% growth after overcoming inflation and other financial obstacles over the past three years, it has also further pledged to maintain relatively stable monetary and fiscal policies and support expansion by lowering interest rates.

Vietnam's domestic motorbike industry experienced continuing growth over the past several years, which has led to continuous expansion plans by motorbike manufacturers. However, the growth of motorbike sales has slowed down recently, which led to temporary early market saturation and put oversupply pressure on Vietnam's motorbike market.

BUSINESS REVIEW

In the first half of 2012, the market was still highly competitive and challenging and the Group strived to improve its operational efficiency and implemented cost control in order to minimise the negative impacts arising from the slow down of consumer spending. During the six months ended 30 June 2012, the costs of materials, components, wages and salaries increased considerably. The management opted for adjusting sales prices gradually and the products' profit margins shrank as the increase in the sale prices could not match the rise in the production costs, this was further worsen by drop of sales. In order to adapt to current market trends, the Group introduced new models featuring electronic fuel injection technology for quality upgrading and integration. Such technology offers outstanding advantages in fuel saving and environmental protection, but the addition of imported sophisticated components also added pressure to the overall cost.

For the six months ended 30 June 2012, an aggregate of approximately 53,600 units (which comprised of approximately 31,300 units and 22,300 units of scooters and cubs respectively) were sold by the Group in Vietnam, representing a decrease of 56% over the same period of previous year. In the contrast, due to the increase in overseas markets demands, approximately 44,600 units were exported to ASEAN countries (mainly the Philippines, Malaysia, Singapore and Thailand), representing an increase 111% over the comparative periods.

During the first half of 2012, the Group has also strengthened its distribution network with 287 SYM-authorised stores owned by dealers as at 30 June 2012, covering every province in Vietnam.

FINANCIAL REVIEW

Revenue decreased from US$143.8 million for the six months ended 30 June 2011 to US$93.7 million for the six months ended 30 June 2012, and the Group's recorded a net loss of US$0.5 million for the six months ended 30 June 2012 as compared with a net profit after tax of US$12.5 million for the six months ended 30 June 2011, representing a decrease of 35% and 104% respectively.

REVENUE

Revenue of the Group for the six months ended 30 June 2012 amounted to US$93.7 million as compared with US$143.8 million for the six months ended 30 June 2011, representing a decrease of US$50.1 million or 35%. This decrease was due to a slowdown of economy and domestic spending in Vietnam during the period. The Group's overall sales quantities and sales quantities of scooters in Vietnam decreased by 56% and 59% respectively for the six months ended 30 June 2012 as compared with the six months ended 30 June 2011. Sales of scooters continued to be the Group's major profit driver which accounted for 68% of total revenue, the principal models of which include ATTILA-VICTORIA, ELIZABETH, SHARK, ELEGANT and ANGEL. In terms of geographical contribution, approximately 68% of total sales were generated from the domestic market in Vietnam for the six months ended 30 June 2012.

COST OF SALES

The Group's cost of sales decreased by 27%, from US$116.5 million for the six months ended 30 June 2011 to US$84.6 million for the six months ended 30 June 2012. Such decrease was primarily due to a drop of sales volume, which was partly offset by the increase of labour costs, materials and components sourced in Vietnam and particularly rising import costs of advance technology components like electronic fuel injection enginees attributed to depreciation of Vietnamese Dong against foreign currencies. As a percentage of total revenue, the Group's cost of sales increased from 81% for the six months ended 30 June 2011 to 90% for the six months ended 30 June 2012.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the increases of materials, components and labour costs, devaluation of Vietnamese Dong and decrease of sale quantities as discussed above, the gross profit of the Group decreased significantly by 67%, from US$27.3 million for the six months ended 30 June 2011 to US$9.1 million for the six months ended 30 June 2012. In between such comparative periods, the Group's gross profit margin has decreased from 19% to 10%.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 11%, from US$7.4 million for the six months ended 30 June 2011 to US$6.6 million for the six months ended 30 June 2012. Such decrease was mainly due to the decreases in warranty, sales incentives and supporting fees to distributors attributed to sales drop but partly offset by an increase of advertising expenses for promotion and market expansion in a competitive market.

TECHNOLOGY TRANSFER FEES

The technology transfer fees decreased by 47%, from US$3.8 million for the six months ended 30 June 2011 to US$2.0 million for the six months ended 30 June 2012. Such decrease was largely due to a decrease in the sales volume of SYM-branded motorbikes particularly scooters.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 8%, from US$6.1 million for the six months ended 30 June 2011 to US$5.6 million for the six months ended 30 June 2012, accounting for 6% of the Group's total revenue for the six months ended 30 June 2012. This was principally a consequence of reducing operating costs which was partly offset by the increase of staff salaries and related costs.

RESULTS FROM OPERATING ACTIVITIES

As a result of the factors discussed above, the Group's results from operating activities decreased by 149%, from a profit of US$10.1 million for the six months ended 30 June 2011 to a loss of US$5.0 million for the six months ended 30 June 2012.

NET FINANCE INCOME

The Group's net finance income decreased by 22%, from US$5.4 million for the six months ended 30 June 2011 to US$4.2 million for the six months ended 30 June 2012. Such decrease was mainly attributable to a decrease in the interest income amounted to US$1.6 million, particularly from deposits placed with banks in Vietnam which interest rates reduced from 14% at 2011 to 9% this year. Exchange gains arisen from fluctuation of the Vietnamese Dong against the US dollar for the six months ended 30 June 2011 amounted to US$0.06 million as compared with US$0.4 million for the period ended 30 June 2012.

LOSS FOR THE PERIOD AND MARGIN

As a result of the factors discussed above, the Group's loss (after deferred tax credit) for the six months ended 30 June 2012 amounted to US$0.5 million, as compared with a net profit after tax US$12.5 million for the six months ended 30 June 2011,a decrease of 104%. The Group's net profit margin decreased from a positive 9% for the six months ended 30 June 2011 to a negative 0.5% for the six months ended 30 June 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2012, the Group's net current assets amounted to US$135.9 million (31 December 2011: US$133.6 million) which consisted of current assets amounting to US$163.4 million (31 December 2011: US$165.1 million) and current liabilities amounting to US$27.5 million (31 December 2011: US$31.5 million).

As at 30 June 2012, the Group had no interest-bearing borrowings repayable within one year (31 December 2011: US$0.4 million denominated in US$). As at 30 June 2012, the Group had no interest-bearing borrowings repayable beyond one year (31 December 2011: US$Nil). As at 30 June 2012, the gearing ratio was 0% (31 December 2011: 0.2%) calculated by dividing total interest-bearing borrowings by total equity.

As at 30 June 2012, the cash and bank balances (including bank deposits) amounted to US$109.5 million, including US$56.8 million denominated in Vietnamese Dong, US$32.7 million denominated in US$, US$15.2 million denominated in RMB, US$4.7 million denominated in NTD and US$0.1 million denominated in HK$ and IDR (31 December 2011: US$111.1 million, mainly included US$52.8 million denominated in Vietnamese Dong, US$51.6 million denominated in US$ and US$6.7 million denominated in RMB, NTD and IDR).

As at 30 June 2012, the Group had investments in financial instruments amounted to US$3.0 million (31 December 2011: US$3.0 million) which were 100% principal-protected US$ digital capital protected notes.

The Board is of the opinion that the Group has a healthy financial position and has sufficient resources to satisfy its working capital requirements and 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 2012, the capital commitments of the Group in respect of relocation and construction of a new factory in Hanoi amounted to US$16.7 million (31 December 2011: US$22.7 million), which will all be settled with 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 contingent liabilities as at 30 June 2012.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group 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, insurance plan and retirement benefits. As at 30 June 2012, the Group had 2,055 employees (30 June 2011: 2,237). The total amount of salaries and related costs for the employees for the six months ended 30 June 2012 amounted to US$5.9 million (six months ended 30 June 2011: US$7.0 million).

CHANGES SINCE 31 DECEMBER 2011

Save as disclosed in this report, since 31 December 2011, 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 2011.

PROSPECTS

The Group is optimistic that Vietnam's economic development will grow steadily and the motorbike industry in Vietnam will resume its growth momentum in a mid and long term following the Vietnam government's adoption of proactive and effective policies to combat inflation. As for the major ASEAN countries, the Group expects the motorbike markets will also continue to maintain fast growth, driven by positive economic conditions in the respective markets.

The Group will dedicate its efforts in business operations in Vietnam: (i) to reduce procurement costs with suppliers, expanding its suppliers network and procurement sources, (ii) to exploit in-house research and development advantages to introduce new electronic fuel injection technology, and enhance products market recognition and cost effectiveness, (iii) to expand its sales and service centres in Vietnam, upgrading dealer stores facilities and consumer services, and further enhance the marketing abilities and incentive our dealers through promotional activities and incentive schemes, (iv) to strengthen budget control and reduction of administration and operation overheads rationally. The Group will also introduce several modified motorbike models to raise product price and profitability. The Group will continue to consolidate the existing scooter market, including reinforcing the leading position in the female ATTILA series, upgrading product quality of SHARK model for male customers and deploying new models target at young people to expand the sales quantity.

The Group aimed at reaching out a more diversified customer base through seeking new opportunities in ASEAN market and seek collaboration with dealers to explore new markets. The Group will further reinforce the uprising markets in the Philippines and Malaysia, and to support dealers in Thailand and Burma in setting up SYM authorised stores and explore business opportunities in Laos. We will more actively engage in marketing and promotional activities, and establish overseas after sales service system by increasing the supply of spare parts to these markets.

The management believes that the Group has a well diversified product range that is fitted to the market needs and is well equipped to face challenges from the market. Given the Group's top research and development capability and healthy financial position, the management maintains a positive attitude towards market growth in the second half of 2012 and coming years. To maintain our competitiveness in the market, the Group will focus more on our core business and technology development to improve product functionality and expand service dimensions to our customers. We will also continue to channel our resources to design and technology development in the high growth motorbike models. The Group will seize all available development opportunity to enhance long-term profitability 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 2012, such net proceeds were utilized in the following manner:

	Per Prospectus *US$' million*	**Amount Utilized** *US$' million*	**Balances as at 30 June 2012** *US$' million*
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

The unutilized balance was placed 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.

The following sets out share options granted under the share option scheme and the outstanding share options as at 30 June 2012:

	Number of share options				
	Outstanding as at 1 January 2012	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2012**
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)	–
Mr. Yu Wen Lung	249,000	–	–	–	249,000
Sub-total for Directors:	1,956,000	–	–	(1,309,000)	647,000
Employees	3,413,000	–	–	(564,000)	2,849,000
Sub-total for Directors and employees:	5,369,000	–	–	(1,873,000)	3,496,000
Other qualified participants	6,505,000	–	–	(459,000)	6,046,000
Total	11,874,000	–	–	(2,332,000)	9,542,000

Share options to subscribe for in aggregate 20,000,000 ordinary shares of the Company were granted on 4 February 2008. The fair value of options granted is approximately HK$0.88 per share on average based on 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$2.9 per share, the annual risk-free interest rate of approximately 2.6%, an expected option life of approximately five years, expected volatility of 55% and an annual dividend yield of 7%. The amortised fair value of the share options for the six months ended 30 June 2012 amounting to approximately US$Nil (2011: US$0.02 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 2012, the interests or short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures 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 the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Nature of interest	Number of ordinary shares of the Company	Interests in underlying shares of the Company pursuant to share options	Approximate percentage of the Company's total issued share capital
Mr. Wang Ching Tung	Beneficial owner	Personal	–	398,000	0.04%
Mr. Yu Wen Lung	Beneficial owner	Personal	50,000	249,000	0.03%

Save as disclosed above, as at 30 June 2012, none of the directors or chief executives of the Company 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 2012 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 2012, the following persons (who are not Directors or chief executives) had interests or short positions in the shares, underlying shares and debentures 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 to be interested in the shares of the Company held by SYI for the purposes of the SFO.

Save as disclosed above, as far as the directors of the Company are aware, as at 30 June 2012, 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 2012, the Group had no material acquisition or disposal of subsidiaries and associated companies.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2012, the Company has complied with the code provisions as set out in the Corporate Governance Code And Corporate Governance Report (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the following deviation:

Paragraph A.5 of the Code provides that an issuer should establish a nomination committee with specific written terms of reference for the following duties: (i) review the structure, size and composition of the Board, (ii) select and nominate individuals to be appointed as directors, (iii) assess the independence of independent non-executive directors, and (iv) make recommendation to the Board on the appointment or reappointment of directors and succession planning for directors. The Company has not set up a nomination committee as all major decisions regarding the Board composition and its members are made in consultation with the Board in which all directors of the Company will participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Board considers that it is not necessary to establish a nomination committee given that the current arrangements meet the objective of the Code.

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 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 30 June 2012, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financials for the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2012. 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 2012 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
Wang Ching Tung
Executive Director and Chief Executive Officer

Hong Kong, 21 August 2012

As at the date of this report, the directors (the "Directors") of the Company comprised four executive Directors, namely Mr. Chen Chung Long, Mr. Chou Ken Yuan, Mr. Wang Ching Tung and Mr. Yu Wen Lung, two non-executive Directors, namely Mr. Chiang Shih Huang and Mr. Chiu Ying Feng, and three independent non-executive Directors, namely Ms. Lin Ching Ching, Mr. Shen Hwa Rong and Mr. Wei Sheng Huang.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
VIETNAM MANUFACTURING AND EXPORT PROCESSING (HOLDINGS) LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report of Vietnam Manufacturing and Export Processing (Holdings) Limited set out on pages 13 to 28, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement 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 this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion, based on our review, on this 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 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 this interim financial report as at 30 June 2012 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

21 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 – unaudited
(Expressed in United Stated dollars)

		Six months ended 30 June	
		2012	2011
	Note	***US$***	*US$*
Revenue	*6*	**93,712,790**	143,771,172
Cost of sales		**(84,601,798)**	(116,495,582)
Gross profit		**9,110,992**	27,275,590
Other income		**167,127**	275,130
Distribution expenses		**(6,595,850)**	(7,433,474)
Technology transfer fees	*17(a)*	**(2,019,243)**	(3,813,129)
Administrative expenses		**(5,586,911)**	(6,051,622)
Other expenses		**(41,566)**	(126,844)
Results from operating activities		**(4,965,451)**	10,125,651
Finance income		**4,251,581**	5,426,277
Finance costs		**(7,891)**	(17,540)
Net finance income	*7(a)*	**4,243,690**	5,408,737
Share of profit of an equity accounted investee, net of tax		**26,803**	234,171
(Loss)/profit before taxation	*7*	**(694,958)**	15,768,559
Income tax credit/(expense)	*8*	**179,728**	(3,280,007)
(Loss)/profit for the period		**(515,230)**	12,488,552
Other comprehensive income for the period (after tax):			
Exchange differences on translation of financial statements of overseas subsidiaries		**558,423**	(6,670,308)
Total comprehensive income for the period attributable to equity shareholders of the Company		**43,193**	5,818,244
Earnings per share			
– basic and diluted	*10*	**(0.001)**	0.014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012 – unaudited
(Expressed in United Stated dollars)

	Note	**At 30 June 2012 US$**	At 31 December 2011 US$
Assets			
Property, plant and equipment	*11*	**31,574,950**	34,328,919
Intangible assets		**142,047**	147,557
Lease prepayments	*12*	**6,547,385**	6,652,976
Investment in an equity accounted investee		**742,188**	710,756
Deferred tax assets		**531,314**	7,602
Non-current assets		**39,537,884**	41,847,810
Inventories		**33,021,064**	39,495,162
Trade receivables, other receivables and prepayments	*13*	**17,794,428**	11,461,058
Income tax recoverable		**99,200**	10,628
Investments	*14*	**3,000,000**	3,000,000
Derivatives		**15,000**	15,000
Time deposits maturing after three months		**78,864,835**	45,204,411
Cash and cash equivalents		**30,663,591**	65,896,469
Current assets		**163,458,118**	165,082,728
Total assets		**202,996,002**	206,930,538
Liabilities			
Trade and other payables	*15*	**25,742,592**	28,616,578
Interest-bearing borrowings	*16*	**–**	410,549
Income tax payables		**11,542**	674,481
Provisions		**1,779,679**	1,809,934
Total current liabilities		**27,533,813**	31,511,542
Total liabilities		**27,533,813**	31,511,542
Net current assets		**135,924,305**	133,571,186
Total assets less current liabilities		**175,462,189**	175,418,996
Net assets		**175,462,189**	175,418,996

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

at 30 June 2012 – unaudited
(Expressed in United Stated dollars)

	Note	**At 30 June 2012** ***US$***	At 31 December 2011 *US$*
Equity			
Paid-in capital		**1,162,872**	1,162,872
Reserves		**174,299,317**	174,256,124
Total equity attributable to equity shareholders of the Company		**175,462,189**	175,418,996
Total liabilities and equity		**202,996,002**	206,930,538

Approved and authorised for issue by the Board of Directors on 21 August 2012.

Director | *Director*

Wang Ching Tung | **Yu Wen Lung**

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 2012 – unaudited
(Expressed in United Stated dollars)

	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	–	–	–	(6,670,308)	–	12,488,552	5,818,244
Equity-settled share – based payment	–	–	18,038	–	–	–	18,038
At 30 June 2011	1,162,872	112,198,709	1,962,666	(23,699,408)	1,181	81,874,420	173,500,440
At 1 January 2012	1,162,872	112,198,709	1,962,666	(26,445,963)	1,181	86,539,531	175,418,996
Loss for the period	–	–	–	–	–	(515,230)	(515,230)
Other comprehensive income	–	–	–	558,423	–	–	558,423
Total comprehensive income	–	–	–	558,423	–	(515,230)	43,193
At 30 June 2012	1,162,872	112,198,709	1,962,666	(25,887,540)	1,181	86,024,301	175,462,189

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 2012 – unaudited
(Expressed in United Stated dollars)

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Cash (used in)/generated from operating activities	**(2,964,028)**	5,408,658
Corporate income tax paid	**(1,076,241)**	(3,651,143)
Net cash (used in)/from operating activities	**(4,040,269)**	1,757,515
Net cash used in investing activities	**(30,954,973)**	(9,045,421)
Net cash used in financing activities	**(421,033)**	(1,077,136)
Net decrease in cash and cash equivalents	**(35,416,275)**	(8,365,042)
Cash and cash equivalents at the beginning of the period	**65,896,469**	116,147,982
Effect of foreign exchange rates changes	**183,397**	(4,354,615)
Cash and cash equivalents at the end of the period	**30,663,591**	103,428,325

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United Stated dollars unless otherwise indicated)

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

(a) Statement of compliance

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 2011 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 2012 is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 21 August 2012. 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 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2012.

2 Basis of preparation (Continued)

(b) Judgements and estimates

Preparing 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, 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 the consolidated financial statements as at and for the year ended 31 December 2011.

3 Changes in accounting policies

The IASB has issued a few amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. These include the amendments to Amendments to IFRS 7, Financial instruments: *Disclosures – Transfers of financial assets*. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments. None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 Significant accounting policies

The accounting policies applied by the Group in this interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2011.

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

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/costs. 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 2012			
	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	78,787,625	14,833,836	91,329	93,712,790
Inter-segment revenue	–	27,597,258	425,280	28,022,538
Reportable segment revenue	78,787,625	42,431,094	516,609	121,735,328
Reportable segment loss (adjusted EBIT)	(2,158,875)	(1,768,777)	(62,973)	(3,990,625)

	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 profit (adjusted EBIT)	6,318,838	5,096,388	126,576	11,541,802

6 Revenue and segment reporting (Continued)

(b) Reconciliation of reportable segment profit or loss

	Six months ended 30 June	
	2012	2011
	US$	*US$*
(Loss)/profit		
Reportable segment (loss)/profit derived from Group's external customers	**(3,990,625)**	11,541,802
Net finance income	**4,243,690**	5,408,737
Share of profit of an equity accounted investee	**26,803**	234,171
Unallocated corporate expenses	**(974,826)**	(1,416,151)
Consolidated (loss)/profit before taxation	**(694,958)**	15,768,559

7 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance income and costs

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Interest income from banks	**3,804,420**	5,366,077
Net foreign exchange gains	**447,161**	60,200
Finance income	**4,251,581**	5,426,277
Interest paid and payable to banks	**(7,891)**	(17,540)
Finance costs	**(7,891)**	(17,540)
Net finance income	**4,243,690**	5,408,737

(b) Staff costs

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Wages and salaries	**4,221,210**	4,283,693
Staff welfare	**1,236,474**	2,220,608
Equity-settled share-based payment expenses	**–**	8,395
Contributions to defined contribution plan	**428,292**	365,036
Severance allowance	**9,219**	114,904
Total	**5,895,195**	6,992,636

7 (Loss)/profit before taxation (Continued)

(c) Other items

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Amortisation of lease prepayments/ intangible assets	**219,105**	109,350
Depreciation of property, plant and equipment	**3,854,922**	3,698,383
Equity-settled share-based payment expenses – employees of the ultimate holding company	**–**	9,642
Loss/(gain) on disposal of property, plant and equipment (net)	**8,191**	(57,553)
Research and development expenses	**3,592,582**	4,097,055
Allowance for inventory impairment	**68,337**	120,192

8 Income tax in the consolidated statement of comprehensive income

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Current tax		
Provision for the period	**7,334**	2,903,164
Under provision in respect of prior period	**336,484**	310,211
	343,818	3,213,375
Deferred tax		
Origination and reversal of temporary differences	**(523,546)**	66,632
	(179,728)	3,280,007

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 2012.

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 in the consolidated statement of comprehensive income (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 shareholders 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 2012 (six months ended 30 June 2011: US$ Nil).

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

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Final dividend in respect of the previous period, declared and paid during the period of US$ Nil per ordinary share (six month ended 30 June 2011: US$ Nil)	**–**	–

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the loss attributable to equity shareholders of the Company of US$515,230 (six months ended 30 June 2011: profit US$12,488,552) and 907,680,000 ordinary shares (six months ended 30 June 2011: 907,680,000 ordinary shares) in issue during the interim period.

(b) 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 2012 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:

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Additions	**915,054**	1,790,776
Disposals (net carrying amount)	**(36,928)**	(25,939)
Effect of movements in exchange rate	**222,827**	(2,194,664)

12 Lease prepayments

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

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Additions	**26,726**	6,056,390
Amortisation for the period	**(175,580)**	(66,470)
Effect of movements in exchange rate	**43,263**	(105,475)

13 Trade receivables, other receivables and prepayments

	At 30 June	At 31 December
	2012	2011
	US$	*US$*
Trade receivables	**7,107,035**	3,457,357
Non-trade receivables	**7,277,335**	4,324,345
Prepayments	**3,260,930**	3,561,964
Amounts due from related parties *(Note 17(b))*		
– trade	**128,102**	115,699
– non-trade	**21,026**	1,693
	17,794,428	11,461,058

The Group's exposure to credit risk is attributable to trade receivables from overseas customers, as the Group generally offers no credit terms to domestic customers in Vietnam, which accounted for approximately 68% (six months ended 30 June 2011: 88%) of total customers for the six-month period ended 30 June 2012. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

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

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

	At 30 June	At 31 December
	2012	2011
	US$	*US$*
Within three months	**7,101,137**	3,551,802
More than three months but within one year	**134,000**	21,254
	7,235,137	3,573,056

14 Investments

	At 30 June 2012 **US$**	At 31 December 2011 *US$*
USD Digital Capital Protected Notes	**3,000,000**	3,000,000

Notes of US$3 million were acquired on 29 December 2011. The notes are 100% principal-protected provided that they are redeemed at maturity. The notes have a guaranteed coupon rate of 1.6% per annum plus a potential additional coupon rate of 1.4% depending on the performance of Hang Seng Index as of the maturity date. The notes have a term of six months and matured on 29 June 2012 with T+5 settlement date.

15 Trade and other payables

	At 30 June 2012 **US$**	At 31 December 2011 *US$*
Trade payables	**9,026,482**	10,075,926
Other payables and accrued operating expenses	**6,809,650**	9,540,556
Advances from customers	**2,795,769**	1,494,302
Amounts due to related parties *(Note 17(c))*		
– trade	**5,084,534**	7,504,614
– non-trade	**2,026,157**	1,180
	25,742,592	28,616,578

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

	At 30 June 2012 **US$**	At 31 December 2011 *US$*
Within three months	**13,948,046**	17,502,961
More than three months but within one year	**157,132**	76,363
More than one year but within five years	**5,838**	1,216
	14,111,016	17,580,540

16 Interest-bearing borrowings

	At 30 June 2012 **US$**	At 31 December 2011 *US$*
Current	**–**	410,549

17 Material related party transactions

During the six months ended 30 June 2012, 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 shareholder of the Group
Teamworld Industries Corporation	Effectively controlled by the Huang Family, the single largest equity shareholder 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 shareholder of the Company
Sanyang Global Co., Ltd.	Effectively controlled by Sanyang, the controlling equity shareholder of the Group
Hanoi Full Ta Precision Company Limited	The associate of Sanyang

(a) Recurring transactions

	Six months ended 30 June	
	2012	2011
	US$	*US$*
Sales of finished goods or/and spare parts:		
Sanyang Industry Co., Ltd.	**171,174**	333,183
Sanyang Vietnam Automobile Co., Ltd.	**–**	39,857
	171,174	373,040
Purchases of raw materials or/and finished goods:		
Sanyang Industry Co., Ltd.	**8,501,460**	13,464,426
Xia Shing Xiamen Motorcycle Co., Ltd.	**6,274,352**	–
Vietnam Three Brothers Machinery Industry Co., Limited	**1,138,370**	2,969,794
Sanyang Global Co., Ltd.*	**5,249,293**	6,757,124
Hanoi Full Ta Precision Company Limited	**436,294**	–
	21,599,769	23,191,344

* *During the period, the Group, through VMEP, purchased raw materials totaling US$2,560,628 (six months ended 30 June 2011: US$5,018,084) from Sanyang Global Co., Ltd. The remaining amount of US$2,688,665 (six months ended 30 June 2011: US$1,739,040) was in respect of the purchases of finished goods through Chin Zong.*

17 Material related party transactions (Continued)

(a) Recurring transactions (Continued)

	Six months ended 30 June 2012 US$	2011 US$
Purchases of property, plant and equipment:		
Sanyang Industry Co., Ltd.	**81,636**	38,984
Vietnam Three Brothers Machinery Industry Co., Limited	**34,459**	–
Technology transfer fees:		
Sanyang Industry Co., Ltd.	**2,019,243**	3,813,129
Technical consultancy fee:		
Sanyang Industry Co., Ltd.	**572,530**	27,550

(b) Amount due from related parties

	At 30 June 2012 US$	At 31 December 2011 US$
Trade		
Sanyang Industry Co., Ltd.	**128,102**	12,659
Xia Shing Xiamen Motorcycle Co., Ltd.	**–**	94,552
Sanyang Vietnam Automobile Co., Ltd.	**–**	7,789
Sanyang Global Co., Ltd.	**–**	699
Sub-total	**128,102**	115,699
Non-trade		
Sanyang Industry Co., Ltd.	**977**	1,693
Vietnam Three Brothers Machinery Industry Co., Limited	**19,967**	–
Sanyang Global Co., Ltd.	**82**	–
Sub-total	**21,026**	1,693
Total	**149,128**	117,392

17 Material related party transactions (Continued)

(c) Amount due to related parties

	At 30 June 2012 US$	At 31 December 2011 US$
Trade		
Sanyang Industry Co., Ltd.	**2,330,671**	5,519,958
Xia Shing Xiamen Motorcycle Co., Ltd.	**591,155**	84,000
Vietnam Three Brothers Machinery Industry Co., Limited	**213,352**	222,862
Sanyang Global Co., Ltd.	**1,866,369**	1,614,948
Hanoi Full Ta Precision Company Limited	**82,987**	62,846
Sub-total	**5,084,534**	7,504,614
Non-trade		
Sanyang Industry Co., Ltd.	**2,026,157**	1,180
Total	**7,110,691**	7,505,794

18 Commitments

(a) Capital commitments

Capital commitments outstanding at the period end not provided for were as follows:

	At 30 June 2012 US$	At 31 December 2011 US$
Contracted for	**150,385**	607,890
Authorised but not contracted for	**16,525,879**	22,067,719
	16,676,264	22,675,609

On 25 January 2011, the Group's Board of Directors resolved to relocate one of the Group's factories from Hanoi's Ha Tay provision to a new location, as the Group has been informed that the Vietnam government intends to redevelop Hanoi city. The relocation is expected to be completed by September 2014. The capital commitment authorised but not contracted for as at the period end in respect of this relocation and construction of the new factory is US$16.5 million. The authorised amount is an initial estimate and will be subject to regular review by the Group's Board of Directors.

(b) Operating lease commitments

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

	At 30 June 2012 US$	At 31 December 2011 US$
Within 1 year	**231,959**	600,938
After 1 year but within 5 years	**448,750**	1,009,844
After 5 years	**2,340,109**	2,125,126
	3,020,818	3,735,908

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