VMEPH
Vietnam

Vietnam Manufacturing and Export Processing (Holdings) Limited

越南製造加工出口(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 422)

Annual Report
2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chou Ken Yuan (appointed as an executive Director from 3 January 2012 and the Chairman from 21 August 2012)
Mr. Wang Ching Tung (Chief Executive Officer)
Mr. Yu Wen Lung (appointed from 3 January 2012)
Mr. Chen Chung Long (appointed from 21 August 2012)
Mr. Lee Hsi Chun (resigned from 3 January 2012)
Mr. Chang Kwang Hsiung (resigned from 26 June 2012)

Non-executive Directors

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

Independent Non-executive Directors

Ms. Lin Ching Ching
Mr. Wei Sheng Huang
Mr. Shen Hwa Rong

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Shing
Mr. Yu Wen Lung

AUDIT COMMITTEE

Ms. Lin Ching Ching (Chairman)
Mr. Wei Sheng Huang
Mr. Shen Hwa Rong

REMUNERATION COMMITTEE

Mr. Wei Sheng Huang (Chairman)
Ms. Lin Ching Ching
Mr. Wang Ching Tung

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Chi Shing

AUDITORS

KPMG

LEGAL ADVISERS

Norton Rose Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4/F., Royal Bank House, 24 Shedden Road, George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

STOCK CODE

422

WEBSITE AND CONTACT

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Tel: (852) 2562 1692
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Financial Summary

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

	Years ended 31 December				
	2012	2011	2010	2009	2008
	US$'M	*US$'M*	*US$'M*	*US$'M*	*US$'M*
RESULTS					
Revenue	**204.3**	270.2	246.9	217.7	216.8
Gross profit	**22.3**	47.4	58.7	54.1	48.1
Results from operating activities	**(7.4)**	11.9	25.3	23.0	4.7
Profit before income tax	**1.2**	22.1	31.4	25.4	12.1
Profit attributable to equity holders	**0.7**	17.2	25.1	21.3	8.0
Earnings per share (US$) [(1)]	**0.001**	0.019	0.028	0.023	0.009
ASSETS AND LIABILITIES					
Total assets	**209.2**	206.9	209.7	220.6	235.9
Total liabilities	**37.2**	31.5	42.0	53.3	63.9
Net assets	**171.9**	175.4	167.7	167.3	172.0
Equity attributable to equity holders	**171.9**	175.4	167.7	167.3	172.0
Return on equity *(%)*	**0.4**	10.0	15.0	12.6	4.4
Current ratio *(times)* [(2)]	**4.6**	5.2	4.0	3.3	3.0
Gearing ratio *(%)* [(3)]	**0**	0.2	0.7	4.8	23.2

Note:

1. The calculation of earnings per share for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 are based on the profit attributable to shareholders and the weighted average number of ordinary shares in issue (i.e. 907,680,000 shares) during the year.

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

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

Chairman's Statement

On behalf of the board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company", and with its subsidiaries, collectively the "Group"), I wish to sincerely extend my appreciation to each shareholder for his support to the Company. I hereby present with pleasure the annual report of the Company and its subsidiaries for the year ended 31 December 2012.

The continuing European debt crisis and uncertainties in international financial markets, as caused by monetary easing policies in the United States of America and Japan, which clouded uncertainties in the global economic climate in 2012. While the negative impact of the global economic downturn was still lingering, Vietnam encountered an overall economic slowdown during the year, though its inflation rate has slowed down. Vietnam's motorbike industry is very competitive, with continuous expansion plans by various motorbike manufacturers in the recent years. However, the growth of motorbike sales has slowed down which led to early market saturation and put oversupply pressure on Vietnam's motorbike market.

Against the background of the struggling global economy and challenging industry prospects in Vietnam, the Company proactively seized opportunities by capitalizing on its competitive advantages and adjusted its future development strategy in the face of headwinds. The Group is a leading motorbike manufacturer in Vietnam with over 20 years of experience and possesses numerous advantages in market intelligence, research and development strengths and an extensive sales network. Revenue and profit attributable to shareholders of the Company for the year ended 31 December 2012 amounted to US$204.3 million and US$0.7 million respectively, and basic earnings per share for the year was US$0.001. The Group had cash equivalents and bank balances amounted to US$120.3 million as at 31 December 2012. The financial condition of the Group is sound to enable us to support our strategic moves to maintain our leadership position in the field.

The Group possesses diverse lines of motorbike products under the SYM brand names to meet the demands of a wide consumer base. In order to increase its market share in the industry, during the year 2012, the Group had a total of 312 SYM brand dealership stores covering all provinces in Vietnam. The Group also introduced several upgraded motorbike models to strengthen the existing product portfolio to cater for different customer groups, particularly the Attila-Passing and SHARK-EFI models for ladies and men respectively, so that every customer can find a Group's product that suits him or her. Meanwhile, new models are being equipped with the latest electronic fuel injection technology to improve performance and reduce pollution.

The Group gained recognition from its customers by its high quality products over the years, and has strived to enhance the quality of products and efficiency of the production process. During the year, the Group had introduced a series of activities to enhance the product quality and production efficiency, including promoting product quality, enhancing quality awareness amongst the production team, and establishing work improvement team for enhancing production processes capability and product quality to meet the quality requirements and enhance customer satisfaction. The Group had also won two awards during the year, "Achievements of Excellence Performance in the Red Cross of Dong Nai Province" and "Achievements of Excellence Performance in Movement Good Building Labor Relations in the Enterprise" for its contributions to poor communities and labour support in Vietnam.

Looking forward, the Group will make its effort to enhance various operation capabilities, such as SYM brand image, distribution outlet capability, product competitiveness, customer satisfaction, production process efficiency and technology research and development. The Group will further reinforce the uprising markets in ASEAN countries, mainly Malaysia, the Philippines, Thailand, Brunei and Singapore. Despite the difficulties and challenges, we will continue to upgrade our capabilities in order to stay ahead of the competition so as to seize opportunities to strengthen cost control measures, boost productivity, enhance operating efficiency and customer satisfaction.

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

By order of the Board
Chou Ken Yuan
Chairman

Hong Kong, 4 March 2013

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.

OPERATING ENVIRONMENT

As global economic climate clouded with uncertainties in 2012, Vietnam encountered new challenges as well as opportunities of recovery of economy. While the negative impact of the global economic downturn was still lingering, Vietnam's economic development grew at a rate lower than generally expected. The gross domestic product (GDP) of Vietnam grew at a rate of 4.4% in the first half of 2012, and 5.35% and 5.44% respectively for the third and fourth quarters. The average economic growth rate for 2012 was 5.03% as compared with 5.85% and 6.78% for 2011 and 2010, it has been significantly lower than the average level in the past decade.

The Vietnamese government has adopted relatively stable monetary and fiscal policies in recent years, inflation has been whipped and the currency restores. The inflation rate was 6.8% for 2012 and the exchange rate for Vietnamese Dong against US$ has been maintained at a level of US$1 exchange for VND 20,840-20,880 during the year. However, slow GDP growth in Vietnam has encountered people to consume more prudently.

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. The number of motorbikes sold by foreign direct invest manufacturers in 2012 was approximately 3.1 million units, representing a decrease of 6.8% over the previous year.

BUSINESS REVIEW

The market was 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 slowdown of consumer spending. During the financial year of 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, this was further worsen by a drop of sales volume. 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 year ended 31 December 2012, an aggregate of approximately 116,000 units (which comprised of approximately 77,000 units and 39,000 units of scooters and cubs respectively) were sold by the Group in Vietnam, representing a decrease of 46% over the same period of previous year. In the contrast, due to the increase in overseas markets demands, approximately 83,000 units were exported to ASEAN countries (mainly the Philippines, Malaysia, Singapore and Thailand), representing an increase of 90% over the comparative periods.

The Group strived in building its product sales network, aiming to achieve customer loyalty by constant expansion across Vietnam and implementing flexible marketing strategies. As of 31 December 2012, the Group's extensive distribution network comprised over 312 SYM-authorised stores owned by dealers, covering every province in Vietnam.

FINANCIAL REVIEW

Revenue decreased by 24% from US$270.2 million for the year ended 31 December 2011 to US$204.3 million for the year ended 31 December 2012, and the Group's net profit after tax was US$0.7 million for the year ended 31 December 2012 as compared with US$17.2 million for the year ended 31 December 2011.

REVENUE

Revenue of the Group for the year ended 31 December 2012 decreased to US$204.3 million from US$270.2 million for the year ended 31 December 2011, representing an decrease of US$65.9 million or 24%. This decrease was due to a slowdown of economy and domestic spending in Vietnam during the year. The Group's overall sales quantities and sales quantities of motorbikes in Vietnam were 199,000 and 116,000 units respectively for the year ended 31 December 2012, representing decreases of 24% and 47% respectively over the comparative periods. Sales of scooters continued to be the Group's major profit driver, and the principal models were ATTILA-ELIZABETH、ELEGANT、ANGEL and JOYRIDE.

In terms of geographical contribution, approximately 69% of total sales were generated from the domestic market in Vietnam for the year ended 31 December 2012 as compared with 89% for the year ended 31 December 2011. Domestic sales in Vietnam decreased by 42% from US$240.7 million for the year ended 31 December 2011 to US$140.4 million for the year ended 31 December 2012. Due to the increase in the overseas markets demands, export sales increased 116% from US$29.5 million for the year ended 31 December 2011 to US$63.9 million for the year ended 31 December 2012. The quantity of engines exported increased by approximately 14,000 units from approximately 34,000 units for the year ended 31 December 2011 to approximately 48,000 units for the year ended 31 December 2012.

Management Discussion & Analysis

COST OF SALES

The Group's cost of sales decreased by 18%, from US$222.9 million for the year ended 31 December 2011 to US$181.0 million for the year ended 31 December 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. As a percentage of total revenue, the Group's cost of sales increased from 82% for the year ended 31 December 2011 to 89% for the year ended 31 December 2012.

GROSS PROFIT AND GROSS PROFIT MARGIN

Owing to the increases of raw materials, components and labour costs and decrease of sale quantities as discussed above, the gross profit of the Group decreased significantly by 53%, from US$47.4 million for the year ended 31 December 2011 to US$22.3 million for the year ended 31 December 2012. The Group's gross profit margin has also decreased from 18% to 11% during the same comparative periods.

DISTRIBUTION EXPENSES

The Group's distribution expenses decreased by 12% from US$16.2 million for the year ended 31 December 2011 to US$14.3 million for the year ended 31 December 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 35%, from US$6.9 million for the year ended 31 December 2011 to US$4.5 million for the year ended 31 December 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 14%, from US$12.9 million for the year ended 31 December 2011 to US$11.1 million for the year ended 31 December 2012, which account for 5% of the Group's total revenue for the year ended 31 December 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 162%, from a profit of US$11.9 million for the year ended 31 December 2011 to a loss of US$7.4 million for the year ended 31 December 2012.

NET FINANCIAL INCOME

The Group's net finance income decreased by 14%, from US$10.0 million for the year ended 31 December 2011 to US$8.6 million for the year ended 31 December 2012. Such decrease was mainly attributable to a decrease in the interest income amounted to US$2.2 million, particularly from deposits placed with banks in Vietnam which interest rates reduced from 14% in 2011 to 8% this yearend. Exchange gains arisen from fluctuation of the Vietnamese Dong against the US dollar for the year ended 31 December 2012 amounted to US$0.7 million as compared with exchange losses US$0.1 million for the year ended 31 December 2011 .

PROFIT FOR THE YEAR AND PROFIT MARGIN

As a result of the factors discussed above, the Group's profit after income tax for the year 2012 decreased by 96%, from US$17.2 million for the year ended 31 December 2011 to US$0.7 million for the year ended 31 December 2012, and the Group's net profit margin has decreased from 6% to 0.4%.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's net current assets amounted to US$134.5 million (31 December 2011: US$133.6 million) which consisted of current assets amounted to US$171.7 million (31 December 2011: US$165.1 million) and current liabilities amounted to US$37.2 million (31 December 2011: US$31.5 million).

Management Discussion & Analysis

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

As at 31 December 2012, the cash and bank balances (including bank deposits), amounted to US$120.3 million, mainly including US$68.2 million which was denominated in Vietnamese Dong, US$36.1 million which was denominated in US$, US$15.4 million which was denominated in RMB and US$0.6 million which was denominated in NTD, HKD and IDR (31 December 2011: US$111.1 million, mainly including US$52.8 million which was denominated in Vietnamese Dong, US$51.6 million which was denominated in US$ and US$6.7 million which was denominated in RMB, NTD, HKD and IDR).

As at 31 December 2012, the Group had invested in wholly principal-protected US$ callable collared floating rate notes amounted to US$3.0 million (31 December 2011: US$3.0 million).

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

EXPOSURE TO FOREIGN EXCHANGE RISK

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated in Vietnamese Dong or US$. The Group did not enter into any financial derivative instruments to hedge against the foreign exchange currency exposures.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2012, the capital commitments of the Group in respect of relocation and construction of a new factory amounted to US$16.9 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 and cash generated from the Group's operations. The Group had no significant contingent liabilities as at 31 December 2012.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Group currently offers competitive remuneration packages to its staff in Vietnam, Taiwan, Indonesia and Hong Kong, and regularly reviews its remuneration packages in light of the overall development of the Group. The Group's remuneration packages include basic salaries, bonuses, share options, quality staff living quarters, training and development opportunities, medical benefits, an insurance plan and retirement benefits. As at 31 December 2011, the Group had 2,083 employees (2011: 2,230). The total amount of salaries and related costs for the year ended 31 December 2011 amounted to US$11.7 million (2011: US$14.1 million).

PROSPECTS

Vietnam, as an export-driven economy, will continue to be subject to the vicissitudes of the global market. As the United States and European economies appear to be on track to recovery, this would also benefit Vietnamese exports. The prospects for Vietnam's economy in 2013 will be full of variables under the complex international economic situation, but the Group has seen a glimmer of hope ahead and the recovery is expected to accelerate in 2013. The Group is optimistic that the motorbike industry in Vietnam will resume its growth momentum in a mid to long term. 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 continue its effort in reducing its operation costs, expanding its suppliers network and procurement sources, speeding up market penetration through its retail network and enhancing in-house research and development capabilities to introduce new electronic fuel injection technology, enhance products market recognition and cost effectiveness. The Group will also introduce several modified motorbike models to raise product price and profitability in Vietnam and ASEAN markets.

The new plant under construction in Hanoi is scheduled to commence operations by the end of 2014. The plan to redevelop the original plant site previously in Ha Tay province is currently under preliminary internal evaluation. The Group will monitor the situation cautiously and adjust our development plan accordingly under existing unfavorable conditions.

Management Discussion & Analysis

Maximising the shareholders value has always been the development ideology of the Group. By capturing the forthcoming opportunities in economic recovery, it is expected that the Group will benefit from the change in momentum of the economy. 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 2013 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 issuance of new shares in the IPO by the Company in December 2007, net of listing expenses, were approximately US$76.7 million. As at 31 December 2012, the net proceeds were utilized in the following manner:

	Per Prospectus	**Amount Utilized**	**Balances as at 31 December 2012**
	US$' million	*US$' million*	*US$' million*
Construction of research and development centre in Vietnam	15.0	11.7	3.3
Expanding distribution channels in Vietnam, of which:			
– Upgrading of existing facilities	4.0	4.0	–
– Establishing of new facilities	46.0	1.9	44.1
Mergers and acquisitions	9.0	1.7	7.3
General working capital	2.7	2.7	–
Total	76.7	22.0	54.7

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

PROPOSED FINAL DIVIDENDS

Since the economic conditions in Vietnam will remain uncertain, the Company will require cash for capital expenditures and working capital, the Board recommends reserving the cash resources. The Board therefore does not recommend the payment of a final dividend for the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2012, there was no purchase, sale or redemption made by the Company, or any of its subsidiaries, of the shares of the Company.

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
Chou Ken Yuan
Chairman

Hong Kong, 4 March 2013

Corporate Governance Report

The board of directors (the "Board") of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company", and collectively with its subsidiaries, the "Group") is always committed to maintaining high standards of corporate governance. The principles of corporate governance adopted by the Company emphasise a board of high quality, sound internal control, transparency and accountability to all shareholders.

CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 December 2012, the Company has complied with the applicable code provisions as set out in the Code on Corporate Governance Practice (which has been amended and modified as the Corporate Governance Code and Corporate Governance Report with effect from 1 April 2012) (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") at the relevant times, 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 re-appointment 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 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 (the "Directors"). Having made specific enquiry of all the Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code for the financial year ended 31 December 2012.

THE BOARD OF DIRECTORS

The Board has a balance of skills and experience and a balanced composition of executive and non-executive Directors and is responsible for the oversight of the management of the Group's business and affairs.

The principal roles of the Board are:

(a) to lay down the Group's objectives, strategies, policies and business plan;
(b) to monitor and control operating and financial performance through the determination of the annual budget; and
(c) to set appropriate policies to manage risks in pursuit of the Group's strategic objectives.

The Board has delegated the day-to-day operational responsibilities to the executive Directors and senior management of the Company. The executive Directors and senior management of the Company, who meet on a regular basis and are accountable to the Board, collectively make principal management decisions according to the delegated authorities from the Board.

COMPOSITION OF THE BOARD

The members of the Board for the year ended 31 December 2012 were:

Executive Directors

Mr. Chou Ken Yuan (appointed as an executive Director from 3 January 2012 and the Chairman from 21 August 2012)
Mr. Wang Ching Tung (Chief Executive Officer)
Mr. Yu Wen Lung (appointed from 3 January 2012))
Mr. Chen Chung Long (appointed from 21 August 2012)
Mr. Lee Hsi Chun (resigned from 3 January 2012)
Mr. Chang Kwang Hsiung (resigned from 26 June 2012)

Non-executive Directors

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

Independent non-executive Directors

Ms. Lin Ching Ching
Mr. Wei Sheng Huang
Mr. Shen Hwa Rong

Corporate Governance Report

The Directors have no financial, business, family or other material/relevant relationships with each other (including the Chairman and the chief executive). The biographical details of all Directors are set out in the "Directors and Senior Management Profile" section on pages 15 to 16 of this annual report.

The Company has also maintained on its website and that of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") an updated list of the Directors identifying their roles and functions. The independent non-executive Directors are explicitly identified in all of the Company's corporate communications.

BOARD MEETINGS AND GENERAL MEETINGS

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

There were nine (9) Board meetings held during the year ended 31 December 2012. The annual general meeting was convened on 25 June 2012 and an extraordinary general meeting was convened on the same day to approve certain continuing connected transactions of the Group. The number of meetings attended by each Director was as follows:

	Number of Meetings Attended	
Name of Directors	**Board meetings**	**General meetings**
Mr. Chou Ken Yuan	6/6	0/2
Mr. Wang Ching Tung	9/9	2/2
Mr. Yu Wen Lung	6/6	2/2
Mr. Chen Chung Long	1/2	0/0
Mr. Chiang Shih Huang	7/7	2/2
Mr. Chiu Ying Feng	6/6	0/2
Ms. Lin Ching Ching	9/9	2/2
Mr. Wei Sheng Huang	9/9	2/2
Mr. Shen Hwa Rong	8/9	2/2
Mr. Chang Kwang Hsiung	5/5	2/2
Mr. Lee Hsi Chun	0/1	0/0
Mr. Liu Wu Hsiung Harrison	0/1	0/0

Minutes of Board meetings and board committee meetings are recorded in appropriate detail and are kept by the company secretary of the Company. Draft minutes are circulated to the Directors for comment within a reasonable period of time after each meeting and the final version is open for the Directors' inspection. If necessary, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expense.

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. As at the date of this report, the Chairman and Chief Executive Officer of the Company are Mr. Chou Ken Yuan and Mr. Wang Ching Tung respectively, while Mr. Chang Kwang Hsiung was the Chairman until he resigned on 26 June 2012.

The roles and responsibilities of the Chairman and the Chief Executive Officer of the Company are separated so as to ensure a balance of power and authority. This balance ensures that all matters brought before the Board are fully and objectively discussed, taking into account the interests of shareholders of the Company (the "Shareholders") as a whole, including in particular, those of the minority Shareholders.

NON-EXECUTIVE DIRECTORS

In line with code provision A.4.1 of the Code, the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of three years, subject to re-election at annual general meetings of the Company in accordance with the articles of association of the Company.

The Company has received annual written confirmations from each of the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules and considers them to be independent.

Corporate Governance Report

BOARD COMMITTEES

The Company currently maintains two board committees (namely the Audit Committee and the Remuneration Committee) with defined terms of reference which are posted on the websites of the Company and the Stock Exchange. The Board is responsible for performing the corporate governance duties set out in the Code.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") which consists of two independent non-executive Directors and one non-executive Director. The members of the Remuneration Committee for the year ended 31 December 2012 were Mr. Wei Sheng Huang (Chairman), Mr. Wang Ching Tung and Ms. Lin Ching Ching.

The Remuneration Committee is responsible for ensuring that the Company has formal and transparent procedures for developing and overseeing its policies on the remuneration of the Directors and senior management of the Company. The Remuneration Committee's authorities and duties are set out in its written terms of reference.

During the year ended 31 December 2012, the Remuneration Committee met on one (1) occasion where all members attended. The meeting of the Remuneration Committee was held to determine the policy for the remuneration of executive Directors, assessing performance of executive Directors, and review and recommend to the Board the remuneration packages of the Directors and senior management of the Company. Each Director abstained from discussing his/her own remuneration.

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

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") which consists of three independent non-executive Directors. The members of the Audit Committee for the year ended 31 December 2012 were Ms. Lin Ching Ching (Chairman), Mr. Wei Sheng Huang and Mr. Shen Hwa Rong.

During the year ended 31 December 2012, the Audit Committee met on two (2) occasions where all members attended except Mr. Shen Hwa Rong participated in one meeting only. The Audit Committee met with the external auditors to discuss and review areas of concerns and internal control, and reviewed the interim and annual financial statements before submission to the Board. The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the audited financial statements, the interim and annual reports. The Audit Committee received comprehensive reports from the management team and the internal and external auditors for the meetings held.

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

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

Corporate Governance Report

NOMINATION OF DIRECTORS

During the year ended 31 December 2012, the Company has not set up a nomination committee as all major decisions regarding Board composition and its members were made in consultation with the Board in which all Directors will participate in the process and perform the duties of a nomination committee as contemplated in the Code. The Chairman of the Company reviewed the composition of the Board from time to time with particular regard to ensure that there is an appropriate number of Directors on the Board who are independent of management.

AUDITOR'S REMUNERATION

The fees in relation to the audit services provided by Messrs. KPMG, the external auditors of the Company, for the year ended 31 December 2012 amounted to US$401,772 (2011: US$472,851). The Company did not engage KPMG for any non-audit service during the year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the Group keeps proper accounting records with reasonable accuracy of the financial position of the Company and the Group at the relevant time. The Directors are also responsible for ensuring that the preparation of the financial statements of the Company and the Group for the relevant accounting periods are in compliance with applicable statutory and regulatory requirements and that such financial statements give a true and fair view of the state of affairs, the results of operations and cashflows of the Company and the Group.

In preparing the financial statements of the Company and the Group for the year ended 31 December 2012, suitable accounting policies have been adopted and applied consistently. The Board is not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue in business. The financial statements of the Company and the Group for the reporting year have been prepared on a going concern basis.

CORPORATE GOVERNANCE FUNCTIONS

The Board is further responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
(e) to review the Company's compliance with the Code as set out in Appendix 14 to the Listing Rules.

INTERNAL CONTROLS

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year, the Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates the Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. The Company has also arranged for in-house trainings for Directors in the form of seminar and reading materials.

During the year, the Company has organised one briefing session conducted by Norton Rose Hong Kong, the Company's Hong Kong legal advisers, for the Directors. All Directors appointed at the relevant time, namely Mr. Chou Ken Yuan, Mr. Wang Ching Tung, Mr. Yu Wen Lung, Mr. Chiang Shih Huang,Mr. Chiu Ying Feng, Mr. Wei Sheng Huang, Mr. Shen Hwa Rong, participated in this session. This briefing session covered various areas of the directors' responsibilities under the applicable Hong Kong laws and the Listing Rules, including the new requirements under the Code, the disclosure of inside information and establishment of an internal control system of the Group.

Corporate Governance Report

In addition, the Company also organised training session for new Director appointed during the year, namely Mr. Chen Chung Long, conducted by Norton Rose Hong Kong, the Company's Hong Kong legal advisers. The new Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

All directors are requested to provide the Company with their respective training records pursuant to the Code.

SAFEGUARDING THE INTERESTS OF INDEPENDENT SHAREHOLDERS

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

DEED OF NON-COMPETITION

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

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

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions entered into by the Group during the year ended 31 December 2012 were based on normal commercial terms, in the ordinary and usual course of business of the Group and were conducted on a fair and reasonable basis.

The independent non-executive Directors reviewed the terms of the continuing connected transactions entered into by the Group during the year ended 31 December 2012 to ensure that the terms of such transactions were in the best interests of the Company and the Shareholders as a whole.

The Company's external auditors, Messrs. KPMG, reviewed the continuing connected transactions entered into by the Group during the year ended 31 December 2012 and provided a letter to the Board confirming (i) the matters set out in Rule 14A.38 of the Listing Rules; and (ii) that the amounts for the relevant continuing connected transactions have not exceeded the relevant proposed annual caps.

Details of the continuing connected transactions entered into by the Group during the year ended 31 December 2012 are set out on pages 22 to 23 of this annual report.

INVESTOR AND SHAREHOLDERS RELATIONS

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

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

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Shareholders may put forward their proposals or inquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong at Room 2106, 21/F, Technology Plaza, 651 King's Road, North Point, Hong Kong, for the attention of the Board.

(a) Procedures for Shareholders to convene an extraordinary general meeting ("EGM")

The Board shall, on the requisition in writing of the Shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an EGM. The written request, stating the objects of the EGM and signed by the Shareholders concerned, should be deposited at the Company's principal place of business in Hong Kong at Room 2106, 21/F, Technology Plaza, 651 King's Road, North Point, Hong Kong, for the attention of the Board. If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a EGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

(b) Procedures for putting forward proposals at shareholders' meeting

There are no provisions under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures for convening an EGM in putting forward proposals at a general meeting.

Pursuant to Article 88 of the Company's Articles of Association, no person other than a retiring director shall, unless recommended by the Board for election, be eligible for election to the office of director at any general meeting, unless a Shareholder shall have given a notice in writing of the intention to propose that person for election as a Director and also a notice in writing by that person of his willingness to be elected shall have been given to the Company in the period commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than 7 days prior to the date of such meeting, provided that the minimum length of such notice period shall be at least 7 days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules of the Stock Exchange.

(c) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Registrar. Shareholders and potential investors of the Company may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company Secretary, at the Company's principal place of business in Hong Kong at Room 2106, 21/F, Technology Plaza, 651 King's Road, North Point, Hong Kong.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Mr. CHOU Ken Yuan (周根源), aged 57, was appointed as an executive Director with effect from 3 January 2012 and the chairman of the Company from 21 August 2012. Mr. Chou was also appointed as the chairman of three subsidiaries of the Group, namely Vietnam Manufacturing and Export Processing Company Limited ("VMEP"), Vietnam Casting Forge Precision Limited ("VCFP") and Duc Phat Molds Inc. ("Duc Phat") and a director of an associate of the Group Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM"). Mr. Chou joined Sanyang Group since October 1980 and was mainly responsible for business expansion, production and sales of Sanyang Group. Mr. Chou served as a senior officer, general manager or Executive Vice President in various departments, including production departments, sales and product relationship departments and business operation departments, of various group companies of Sanyang Group from October 1980 to December 2011. Mr. Chou was also appointed as a director of various group companies of Sanyang Group. Mr. Chou has over 30 years of experience in the motor vehicle industry acquired through his work experience at Sanyang Group. Mr. Chou graduated from Chung Yuan Christian University in Taiwan with a bachelor's degree in industrial engineering and administration in 1978.

Mr. WANG Ching Tung (王清桐), aged 48, was appointed as an executive Director in August 2007 and the chief executive officer of the Company in November 2011. Mr. Wang is also the general manager and director of VMEP. Mr. Wang joined VMEP in February 1993 and since then, he has worked in the sales department of VMEP. In 2002, Mr. Wang was appointed as the head of the sales department of VMEP and became the vice general director of the sales and marketing department of VMEP in 2006. He was also appointed as a director of VMEP in November 2007. He has over 20 years of experience in motorbike sales and marketing. Prior to joining the Group, he worked in the administration department of Sanyang. Mr. Wang graduated from the National Cheng Kong University in Taiwan with a bachelor's degree in industrial design in 1987.

Mr. YU Wen Lung (游文龍), aged 46, was appointed as the chief financial officer of the Company from April 2011 and an executive Director in January 2012. Mr. Yu joined the Group in August 2005 and has been appointed as the finance manager or the head of the finance department of various subsidiaries of the Group, including VMEP, VCFP and Duc Phat. Mr. Yu joined Sanyang Group from September 1991 to August 2005 and served as a senior officer or supervisor in the finance and accounting departments of various group companies of Sanyang Group. Mr. Yu has over 20 years of experience in the finance and accounting area majority of which was acquired through his work experience at Sanyang Group and the Group. Mr. Yu graduated from Soochow University in Taiwan with a bachelor's degree in accounting in 1989.

Mr. CHEN Chung Long (陳宗榮), aged 53, was appointed as an executive Director of the Company and an executive vice president of VMEP from 21 August 2012. Prior to his joining of the Group, Mr. Chen worked for Sanyang Group from June 1983 to August 2012 where Mr. Chen served as manager, vice president and director in various production, machinery and business development departments of Sanyang Group. During such period, Mr. Chen has also worked in the Group from January 2005 to March 2006 as an assistant vice president of VMEP. Mr. Chen has about 30 years of experience in production, project planning and business development of which was acquired through his work experience at the Sanyang Group. Mr. Chen graduated from Feng Chia University with a bachelor's degree in Mechanical Engineering in 1981.

Mr. CHANG Kwang Hsiung (張光雄), aged 72, was appointed as an executive Director in August 2007 and as the chairman of the Company in November 2007. He was also the director of three subsidiaries of the Group, namely, VMEP, Chin Zong Trading Co., Ltd. ("Chin Zong") and PT Sanyang Industri Indonesia (PT Sanyang). Mr. Chang joined VMEP in February 1993 as general director and was the chairman of VMEP from May 1993 to September 1999. Mr. Chang has over 40 years of experience in the motorbike manufacturing industry in Vietnam and Taiwan. Mr. Chang was awarded the third level of Labor Model for National Excellent Manufacturing Operation Activities by the Vietnam government in 2000. Mr. Chang graduated from the National Taipei University of Technology with a bachelor's degree in mechanical engineering in 1962. Mr. Chang resigned as an executive Director and all the above positions with effect on 26 June 2012.

Non-executive Directors

Mr. CHIANG Shih Huang (江世煌), aged 65, was appointed as a non-executive Director from 1 January 2011. Mr. Chiang is also a director of Sanyang and also sits on the boards of various subsidiaries of Sanyang in the PRC and Vietnam, which engage in the manufacturing of motorbikes (namely, Sanyang Global Co., Ltd., Xia Shing Motorcycle Co., Ltd., Xia Shing Xiamen Motorcycle Co., Ltd., Xiamen King Long United Automotive Industry Co., Ltd., Zhangjiagang Jiyang Engineering Industry Co., Ltd. and Sanyang Vietnam Automobile Co., Ltd.). He has over 30 years of experience in the motor vehicle industry and the majority of which was acquired through his working experience in Sanyang and its affiliated companies. Mr. Chiang graduated from Chung Yuan Christian University in Taiwan with a bachelor's degree in industrial engineering and administration in 1979.

Mr. CHIU Ying Feng (邱穎峰), aged 52, was appointed as a non-executive Director from 3 January 2012. Mr. Chiu has joined Sanyang Group since July 1987 and he is currently the Deputy Vice President of the research and development division of Sanyang. Mr. Chiu was mainly responsible for product research and development and has served as a senior officer or manager in the research and developments, and product planning divisions of Sanyang. Mr. Chiu has over 25 years of experience in the motor vehicle industry which was acquired through his work experience at Sanyang Group. Mr. Chiu graduated from National Taiwan University with a bachelor's degree in mechanical engineering in 1987.

Directors and Senior Management Profile

Independent non-executive Directors

Ms. LIN Ching Ching (林青青), aged 48, was appointed as an independent non-executive Director in November 2007 and a member of the Remuneration Committee from 22 August 2011. She is the chairman of the Audit Committee. Ms. Lin has over 20 years of experience in the finance industry and has held senior financial management positions in various companies, including Deloitte & Touche, Corporate Finance Co., Ltd. and Citibank, N.A., Taipei. Ms. Lin graduated from Eastern Michigan University with a master's degree in business administration in 1991 and graduated from Fu-Jen Catholic University in Taiwan with a bachelor's degree in accounting in 1987.

Mr. WEI Sheng Huang (魏昇煌), aged 60, was appointed as an independent non-executive Director in November 2007. He is the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Wei has over 20 years of experience in the manufacture of motor car parts and related industries. Mr. Wei is the president of Minth Technique Corporation, a company which was established in Taiwan in 1991 and which specialises in the manufacture and sale of motor car parts. Mr. Wei obtained a master's degree in business administration from Hofstra University in 1988 and graduated from the University of Cincinnati in 1981 with a master's degree in computer engineering. Mr. Wei graduated from National Chiao Tung University in Taiwan with a bachelor's degree in electro physics in 1974.

Mr. SHEN Hwa Rong (沈華榮), aged 62, was appointed as our independent non-executive director and a member of the Audit Committee. Mr. Shen is an academic specialised in finance and business administration and is currently the chairman of the Department of Finance of Yuanpei University, an independent director of Sinonar Corporation and also the president of Environment Management Accounting Network-Taiwan. Mr. Shen has over 30 years of teaching and working experience with different universities, governmental and commercial sector. Mr. Shen graduated from the Soochow University in Taiwan with a bachelor's degree in business administration in 1972, He also obtained a master's degree in business administration from the University of Central Oklahoma in the United States In 1980 and a doctorate degree in business administration from the National Chiao Tung University in Taiwan In 1992.

SENIOR MANAGEMENT

Mr. CHIANG Ping Hui (江炳輝), aged 45, is the deputy vice president of product planning division of VMEP. Mr. Chiang joined the Group in 1995 and has over 15 years of experience in the motorbike industry. Mr. Chiang graduated from the Tamshui Institute of Business Administration in Taiwan with a bachelor's degree in international trade in 1990.

Mr. TSAI Yu Tsai (蔡有財), age 55, is the head of the production department of VMEP and general director of Duc Phat. Mr. Tsai joined the Group in 1999 and has over 30 years of experience in the production of motorbikes. Mr. Tsai graduated from the Kai Nan High School of Commerce and Industry in Taiwan with a degree in mechanical engineering in 1973.

Mr. TSAI Yu Shu (蔡有書), aged 50, is the deputy vice president of service and spare parts division of VMEP. Mr. Tsai joined the Group in 2002 and has over 25 years of experience in the production and sales of motorbikes. Mr. Tsai graduated from the National Taiwan University of Science and Technology with a bachelor's degree in chemical engineering in 1983.

Mr. WU Hsin Yu (巫信裕), aged 51, is the general director of PT Sanyang. Mr. Wu joined PT Sanyang in 2003 and has over 20 years of experience in the production of motorbikes. Mr. Wu graduated from the National Taipei University of Technology with a bachelor's degree in mechanical engineering in 1984.

Mr. CHANG Tu Hsuan (張督玄), aged 56, is deputy vice president of the research and development center project department of VMEP. Mr. Chang joined the Group in 2006 and has over 25 years of experience in the research and development of new motorbike products. Mr. Chang graduated from the National Taiwan University of Science and Technology with a bachelor's degree in mechanical engineering in 1980.

Mr. CHEN Chien Hsiang (陳建祥), aged 51, is the general director of VCFP. Mr. Chen joined the Group in 2007 and has over 20 years of experience in the production of motorbikes. Mr. Chen graduated from the National Taipei University of Technology with a bachelor's degree in mining and metallurgy in 1981.

Mr. LEE Tao Huang (李道煌), aged 48, is the head of the overseas marketing department of VMEP and general director of Chin Zong. Mr. Lee joined the Group in 2007 and has over 20 years of experience in the marketing and sale of motorbikes. Mr. Lee graduated from Soochow University in Taiwan with a bachelor's degree in mathematics in 1986.

Mr. CHAING Chi Shuan (江吉釧), aged 54, is the deputy vice president of research & development center of VMEP. Mr. Chiang joined the Group in November 2011 and has over 26 years of experience in the research and development of motorbikes. Mr. Chiang graduated from the National Chiao Tung University in Taiwan with a master's degree in mechanical engineering in 1983.

Mr. CHEN Fu Yuan (陳富源), aged 51, is the deputy vice president of domestic marketing division. Mr. Chen joined the Group in November 2011 and has over 25 years of sales experience in the motorbike industry. Mr. Chen graduated from Soochow University in Taiwan with a bachelor's degree in business administration in 1984.

Mr. CHANG Te Chiu (張德秋), aged 49, is the deputy vice president of purchasing business division of VMEP. Mr. Chang joined the Group in November 2011 and has over 24 years of experience in production, development and sales of motorbikes. Mr. Chang graduated from Tunghai University in Taiwan with a bachelor's degree in industrial engineering and administration in 1985.

Mr. CHAN Chi Shing (陳志成), aged 52, is the qualified accountant and company secretary of the Company. Mr. Chan joined the Group in 2007 and has over 20 years of experience in the fields of audit and accounting. Mr. Chan obtained a Higher Certificate in Accountancy from the Hong Kong Polytechnic University in 1987 and is a member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

DIRECTORS

The Directors during the year were:

Executive Directors:

Mr. Chou Ken Yuan (appointed from 3 January 2012)
Mr. Wang Ching Tung (Chief Executive Officer)
Mr. Yu Wen Lung (appointed from 3 January 2012)
Mr. Chen Chung Long (appointed from 21 August 2012)
Mr. Lee Hsi Chun (resigned from 3 January 2012)
Mr. Chang Kwang Hsiung (resigned from 26 June 2012)

Non-executive Directors:

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

Independent non-executive Directors:

Madam Lin Ching Ching
Mr. Wei Sheng Huang
Mr. Shen Hwa Rong

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Details of the principal activities of the subsidiaries of the Company are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2012.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 25 to 72 of this annual report. The Board does not recommend the payment of a final dividend for the year ended 31 December 2012.

FINANCIAL SUMMARY

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

PROPERTY, PLANT AND EQUIPMENT

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

BANK LOANS

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

SHARE CAPITAL

Details of movements in the Group's share capital during the year are set out in note 28 to the financial statements.

PRE-EMPTIVE RIGHTS

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

Directors' Report

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers and suppliers of the Group during the year ended 31 December 2012 contributed to less than 30% of the total operating revenues and purchases, respectively, of the Group during the year.

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

RETIREMENT OF DIRECTORS

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

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' remuneration is determined by the Board with reference to the pay scale applicable to directors of listed companies. Details of the Directors' remuneration are set out in note 8 to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the connected transactions and the related party transactions during the financial year ended 31 December 2012 are set out on page 22 and page 23 of this annual report respectively. Save as disclosed in this report, none of the Directors or controlling shareholders of the Company or its subsidiary had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of the subsidiaries of the Company, or any of the Company's holding companies, or any of the subsidiaries of such holding companies, was a party, which subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

SHARE OPTION SCHEME

Pursuant to the share option scheme conditionally adopted by 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. Set out below is a summary of share option scheme.

(a) Participants of the scheme

The Board may at its discretion grant options to: (i) any executive Director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest (the "Invested Entity"); (ii) any non-executive Director (including independent non-executive Directors) of the Company, any member of the Group or any Invested Entity; (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any such persons (including but not limited to consultant, adviser, contractor, business partner or service provider of the Company or any member of the Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to the Group (collectively the "Qualified Participants").

(b) Purpose of the scheme

The share option scheme seeks to provide an incentive for Qualified Participants to work with commitment towards enhancing the value of the Company and its shares for the benefit of its Shareholders as a whole.

(c) Grant of option

An offer of the grant of an option shall be made to a Qualified Participant by letter (the "Offer Letter") in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the share option scheme (including any operational rules made under the share option scheme). The offer shall remain open for acceptance for a period of five business days from the date on which it is made. Unless otherwise determined by the Board and stated in the Offer Letter, there shall be no general performance target for the vesting or exercise of options.

An option shall be deemed to have been granted to (subject to certain restrictions in the share option scheme), and accepted by, the Qualified Participant (the "Grantee") and to have taken effect upon the issue of an option certificate after the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance set out above. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

(d) Subscription price

The price per share at which a Grantee may subscribe for shares upon exercise of an option (the "Subscription Price") shall, subject to any adjustment, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered (the "Offer Date"); (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the shares.

(e) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed 90,768,000 shares (representing 10% of the issued share capital as at the date of this annual report), being the number of shares that shall represent 10% of the total number of shares in issue as of the listing date.

(f) Maximum entitlement of each qualified participant

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Qualified Participant if the acceptance of those options would result in the total number of shares issued and to be issued to that Qualified Participant on exercise of his options during any 12 month period exceeding 1% of the total shares then in issue.

Directors' Report

(g) Timing for exercise of options

The period during which an option may be exercised in accordance with the terms of the share option scheme shall be a period of time to be notified by the Board to each Grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years commencing on the Offer Date.

(h) Life of the scheme

The share option scheme shall be valid and effective for 10 years from the date on which the share option scheme becomes unconditional, after which time no further option will be granted but the provisions of the share option scheme shall remain in full force and effect in all other respects.

The Board has not granted or cancelled any share options under the share option scheme during the year ended 31 December 2012. Details of the share options which were outstanding as at 31 December 2012 are as follows:

	Number of share options				
	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 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	–	–	(612,000)	5,893,000
Total	11,874,000	–	–	(2,485,000)	9,389,000

Share options to subscribe for a total of 20,000,000 ordinary shares of the Company (the "Shares") were granted on 4 February 2008. The fair value of options granted is approximately at an average of HK$0.88 per Share on the basis of the binominal model, based on the closing price of the Shares at the date of grant of HK$2.9 per Share, the annual risk-free interest rate of approximately 2.6%, an expected option life of approximately five years, expected volatility of 55% and an annual dividend yield of 7%. The amortised fair value of the share options for the year ended 31 December 2012 amounted to nil (2011: US$18,038) was charged to the income statement.

The options are exercisable from 4 August 2008 to 3 February 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' Report

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

As at 31 December 2012, 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 pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Corporation	Number of shares held	Interests in underlying shares held *(Note)*	Approximate percentage of the total issued share capital of the corporation
Mr. Wang Ching Tung	Beneficial owner	The Company	–	398,000	0.04%
Mr. Yu Wen Lung	Beneficial owner	The Company	50,000	249,000	0.03%

Note: The interest in the shares of the Company were share options granted to the Directors pursuant to the share option scheme of the Company.

Save as disclosed above, as at 31 December 2012, 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as the Directors are aware, as at 31 December 2012, the following persons (who are not Directors and chief executive of the Company) 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 of substantial shareholder	Nature of interest	Number and class of securities	Approximate percentage of interest in the Company's total issued share capital
SY International Ltd ("SYI") *(Note)*	Beneficial owner	608,318,000 Shares	67.02%
Sanyang Industry Co., Ltd. ("Sanyang") *(Note)*	Interest in a controlled corporation	608,318,000 Shares	67.02%

Note: SYI is a direct wholly-owned subsidiary of Sanyang and therefore, Sanyang is deemed to be interested in the Shares held by SYI under Part XV of the SFO.

Save as disclosed above, as at 31 December 2012, the Company had not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, none of the Directors has any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following continuing connected transactions with Sanyang (an indirect substantial shareholder of the Company), its subsidiaries or associates (as the case may be) (other than the Group), including Vietnam Three Brothers Machinery Industry Company Limited ("VTBM"), Sanyang Global Co., Ltd. ("Sanyang Global") and Hanoi Full Ta Precision Company Limited ("Full Ta"):

1. Purchase of motorbike parts by the Group from Sanyang pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total purchase amount under such purchase agreement for the year ended 31 December 2012 was US$13,105,113 (2011: US$21,232,894).

2. Purchase of motorbike parts by the Group from Sanyang Global pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and Sanyang Global. The total purchase amount under such purchase agreement for the year ended 31 December 2012 was US$9,060,441 (2011: US$9,495,208).

3. Purchase of motorbike parts by the Group from VTBM pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and VTBM. The total purchase amount under such purchase agreement for the year ended 31 December 2012 was US$2,988,215 (2011: US$5,355,381).

4. Purchase of motorbike parts by the Group from Full Ta pursuant to a purchase agreement dated 28 March 2011 and entered into between the Company and Full Ta. The total purchase amount under such purchase agreement for the year ended 31 December 2012 was US$801,483 (2011: US$124,737).

5. The engagement of the Company as the exclusive distributor of motorbikes and related parts manufactured by Sanyang and its associates (excluding the Group) in all of the member countries of the Association of South East Asian Nations (excluding Vietnam, unless the motorbikes are resold in Vietnam for exhibition purposes) pursuant to a distributorship agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total purchase amount of motorbikes and related parts by the Group from Sanyang and/or its associates (excluding the Group) pursuant to such distributorship agreement for the year ended 31 December 2012 was US$21,375,907 (2011: US$12,883,870).

6. Licensing of technology, know-how, trade secrets and production information by Sanyang to Vietnam Manufacturing and Export Processing Co., Limited ("VMEP") pursuant to a technology licence agreement dated 26 November 2007 and entered into between VMEP and Sanyang. The total license fee paid under such technology licence agreement for the year ended 31 December 2012 was US$4,518,351 (2011: US$6,899,833).

7. Provision of research and development and technical support services by Sanyang and its associates (excluding the Group) to the Group pursuant to a research and development and technical support services agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total fee paid under such research and development and technical support services agreement for the year ended 31 December 2012 was US$967,255 (2011: US$834,501).

8. Purchase of production machinery, moulds and equipment by the Group from Sanyang, its subsidiaries and/or associates (as the case may be) (excluding the Group) pursuant to a purchase agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total purchase amount under such purchase agreement for the year ended 31 December 2012 was US$234,610 (2011: US$603,673).

9. Sale of motorbike parts by the Group to Sanyang and its associates (excluding the Group) pursuant to a sales agreement dated 9 November 2009 and entered into between the Company and Sanyang. The total sales amount under such sales agreement for the year ended 31 December 2012 was US$283,752 (2011: US$682,814).

For the financial year ended 31 December 2012, the actual transaction amount for each of the abovementioned continuing connected transactions has not exceeded the respective annual cap of the relevant transactions as approved by the Board or the independent Shareholders (as the case may be).

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the above continuing connected transactions.

Directors' Report

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

The auditors of the Company have reported their factual findings on these procedures to the Board. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the annual report in accordance with Rule 14A.38 of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;
(b) on normal commercial terms or on terms no less favourable than terms available to or from independent third parties; and
(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Save as disclosed above, none of the related party transactions as disclosed in note 31 to the consolidated financial statements of the Group falls under the definition of connected transaction or constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

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

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this annual report, to the best knowledge of the Directors and based on information publicly available to the Company, the Company has maintained a public float of not less than 25% of the issued capital of the Company as required by the Listing Rules.

MANAGEMENT CONTRACTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2012.

On behalf of the Board
Chou Ken Yuan
Chairman

Hong Kong, 4 March 2013

Independent Auditor's Report

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

We have audited the consolidated financial statements of Vietnam Manufacturing and Export Processing (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 25 to 72, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

4 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in United States dollars)

	Note	2012 US$	2011 US$
Revenue	4	**204,343,764**	270,234,336
Cost of sales		**(181,999,409)**	(222,869,292)
Gross profit		**22,344,355**	47,365,044
Other income	5	**385,916**	545,590
Distribution expenses		**(14,279,677)**	(16,163,278)
Technology transfer fees	31(a)(iv)	**(4,518,351)**	(6,899,833)
Administrative expenses		**(11,136,074)**	(12,915,391)
Other expenses		**(227,262)**	(40,698)
Results from operating activities		**(7,431,093)**	11,891,434
Finance income		**8,590,132**	10,081,397
Finance costs		**(8,434)**	(114,325)
Net finance income	6(a)	**8,581,698**	9,967,072
Share of profit of an associate, net of tax		**53,588**	211,065
Profit before taxation	6	**1,204,193**	22,069,571
Income tax	7(a)	**(459,422)**	(4,915,908)
Profit for the year		**744,771**	17,153,663
Other comprehensive income for the year (after tax):	11		
Exchange differences on translation of financial statements of overseas subsidiaries		**912,305**	(9,416,863)
Total comprehensive income for the year attributable to equity shareholders of the Company		**1,657,076**	7,736,800
Earnings per share			
– basic and diluted	12	**0.001**	0.019

The notes on pages 30 to 72 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 28(b).

Consolidated Statement of Financial Position

At 31 December 2012
(Expressed in United States dollars)

	Note	2012 US$	2011 US$
Non-current assets			
Property, plant and equipment	13	29,395,797	34,328,919
Intangible assets	14	239,934	147,557
Lease prepayments	15	6,393,964	6,652,976
Investment in an associate	17	677,338	710,756
Deferred tax assets	26(b)	734,143	7,602
		37,441,176	41,847,810
Current assets			
Inventories	18	31,943,920	39,495,162
Trade receivables, other receivables and prepayments	19	16,359,364	11,461,058
Income tax recoverable	26(a)	11,082	10,628
Investments	20	3,000,000	3,000,000
Derivatives		95,496	15,000
Time deposits maturing after three months	21	65,425,866	45,204,411
Cash and cash equivalents	22	54,885,605	65,896,469
		171,721,333	165,082,728
Total assets		209,162,509	206,930,538
Current liabilities			
Trade and other payables	23	34,828,939	28,616,578
Interest-bearing borrowings	24	–	410,549
Income tax payables	26(a)	625,716	674,481
Provisions	27	1,785,268	1,809,934
		37,239,923	31,511,542
Net current assets		134,481,410	133,571,186
Total assets less current liabilities		171,922,586	175,418,996
Non-current liabilities			
Other payables		20,290	–
		20,290	–
Net assets		171,902,296	175,418,996
Capital and reserves			
Share capital	28(c)	1,162,872	1,162,872
Reserves		170,739,424	174,256,124
Total equity attributable to equity shareholders of the Company		171,902,296	175,418,996
Total liabilities and equity		209,162,509	206,930,538

Approved and authorised for issue by the Board of Directors on 4 March 2013.

Wang Ching Tung
Director

Yu Wen Lung
Director

The notes on pages 30 to 72 form part of these financial statements.

Statement of Financial Position

At 31 December 2012
(Expressed in United States dollars)

	Note	**2012** **US$**	2011 US$
Non-current assets			
Investments in subsidiaries	*16*	**65,909,383**	65,909,383
		65,909,383	65,909,383
Current assets			
Trade receivables, other receivables and prepayments	*19*	**24,743,104**	24,563,996
Investments	*20*	**3,000,000**	3,000,000
Derivatives		**95,496**	15,000
Time deposits maturing after three months	*21*	**20,151,178**	20,000,000
Cash and cash equivalents	*22*	**15,440,827**	21,831,841
		63,430,605	69,410,837
Total assets		**129,339,988**	135,320,220
Current liabilities			
Other payables	*23*	**374,628**	730,740
Provisions	*27*	**292,506**	292,788
		667,134	1,023,528
Net current assets		**62,763,471**	68,387,309
Total assets less current liabilities		**128,672,854**	134,296,692
Net assets		**128,672,854**	134,296,692
Capital and reserves	*28(a)*		
Share capital		**1,162,872**	1,162,872
Reserves		**127,509,982**	133,133,820
Total equity		**128,672,854**	134,296,692
Total liabilities and equity		**129,339,988**	135,320,220

Approved and authorised for issue by the Board of Directors on 4 March 2013.

Wang Ching Tung
Director

Yu Wen Lung
Director

The notes on pages 30 to 72 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012
(Expressed in United States dollars)

		Attributable to equity shareholders of the Company						
		Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Statutory reserves**	**Retained profits**	**Total**
	Note	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Balance at 1 January 2011		1,162,872	112,198,709	1,944,628	(17,029,100)	1,181	69,385,868	167,664,158
Changes in equity for 2011:								
Profit for the year		–	–	–	–	–	17,153,663	17,153,663
Other comprehensive income	*11(a)*	–	–	–	(9,416,863)	–	–	(9,416,863)
Total comprehensive income		–	–	–	(9,416,863)	–	17,153,663	7,736,800
Equity settled share-based transactions		–	–	18,038	–	–	–	18,038
Balance at 31 December 2011 and 1 January 2012		1,162,872	112,198,709	1,962,666	(26,445,963)	1,181	86,539,531	175,418,996
Changes in equity for 2012:								
Profit for the year		–	–	–	–	–	744,771	744,771
Other comprehensive income	*11(a)*	–	–	–	912,305	–	–	912,305
Total comprehensive income		–	–	–	912,305	–	744,771	1,657,076
Appropriation to reserves		–	–	–	–	35,550	(35,550)	–
Dividends approved in respect of previous year	*28(b)*	–	–	–	–	–	(5,173,776)	(5,173,776)
Balance at 31 December 2012		1,162,872	112,198,709	1,962,666	(25,533,658)	36,731	82,074,976	171,902,296

The notes on pages 30 to 72 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2012
(Expressed in United States dollars)

	Note	2012 US$	2011 US$
Operating activities			
Profit before taxation		**1,204,193**	22,069,571
Adjustments for:			
Depreciation	6(c)	**7,644,343**	8,173,209
Amortisation	6(c)	**482,184**	319,263
Impairment losses on property, plant and equipment	6(c)	**–**	12,556
Change in fair value of derivatives		**(80,496)**	(15,000)
Net interest and dividend income		**(7,850,213)**	(9,868,598)
Share of profit of an associate, net of tax	17	**(53,588)**	(211,065)
Loss/(gain) on disposal/write off of property, plant and equipment (net)		**26,322**	(114,432)
Equity-settled share-based payment expenses	6(c)	**–**	18,038
Operating profit before changes in working capital		**1,372,745**	20,383,542
Changes in working capital:			
Decrease/(increase) in inventories		**7,878,215**	(15,072,986)
Increase in gross trade receivables, other receivables and prepayments		**(3,088,501)**	(1,312,010)
Increase/(decrease) in trade and other payables		**5,795,164**	(6,291,562)
Decrease in provisions		**(24,666)**	(157,691)
Cash generated from/(used in) operating activities		**11,932,957**	(2,450,707)
Income tax paid		**(1,239,562)**	(5,670,778)
Net cash generated from/(used in) operating activities		**10,693,395**	(8,121,485)
Investing activities			
Interest and dividends received		**6,196,360**	9,986,511
Proceeds from disposals of property, plant and equipment		**76,318**	152,738
Proceeds from settlement of financial assets		**3,000,000**	–
Acquisition of property, plant and equipment, intangible assets and lease prepayments		**(2,842,887)**	(11,120,234)
Acquisition of financial assets		**(3,000,000)**	(3,000,000)
Increase in time deposits maturing after three months		**(20,001,188)**	(32,274,256)
Dividends from an associate		**92,987**	158,862
Net cash used in investing activities		**(16,478,410)**	(36,096,379)
Financing activities			
Proceeds from borrowings		**–**	2,665,927
Repayment of borrowings		**(413,855)**	(3,315,367)
Interest paid		**(8,434)**	(29,672)
Dividends paid	28(b)	**(5,173,776)**	–
Net cash used in financing activities		**(5,596,065)**	(679,112)
Net decrease in cash and cash equivalents		**(11,381,080)**	(44,896,976)
Cash and cash equivalents at 1 January	22	**65,896,469**	116,147,982
Effect of foreign exchange rate changes		**370,216**	(5,354,537)
Cash and cash equivalents at 31 December	22	**54,885,605**	65,896,469

The notes on pages 30 to 72 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

1. REPORTING ENTITY

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– Derivative financial instruments *(see Note 2(f))*.

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates. The Group has adopted US Dollar ("US$") as its presentation currency as the directors of the Company consider that presentation of the consolidated financial statements in US$ will facilitate analysis of the Group's financial information.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of 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.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balance and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses controls of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate *(see Note 2(e))* or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses *(see Note 2(k))*.

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment *(see Note 2(k))*. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates (Continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses *(see Note 2(k))*.

(f) Derivative financial instruments

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

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses *(see Note 2(k))*:

– buildings held for own use which are situated on leasehold land classified as held under operating lease *(see Note 2(j))*; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs *(see Note 2(v))*.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable *(see Note 2(v))*. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses *(see Note 2(k))*. Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses *(see Note 2(k))*. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	software	3 years

Both the period and method of amortisation are reviewed annually.

(i) Lease prepayments

Lease prepayments represent prepaid land lease rentals and related costs. Lease prepayments are carried at cost less amortisation and impairment losses *(see Note 2(k))*. Amortisation is charged to profit or loss on a straight-line basis over the lease period of 10-50 years.

(j) Operating lease charges

Where the Group has the use of assets held under operating lease, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

(i) Impairment of investments in subsidiaries, associates and other receivables

Investment in subsidiaries, associates and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficult of the debtor;
- a breach contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of investments in subsidiaries or associates below its cost.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in subsidiaries, associates and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amount held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following asserts may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets; and

– lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be recorded below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determining the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credit to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year *(see Note 2(k)(i) and (ii))*.

(l) Inventories

Inventories are carried at the lower of the cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts *(see Note 2(k))*, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial instructions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

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

(iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrable commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purpose and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rendering of services

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

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of an asset by way of reduced depreciation expense.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into United Stated dollars at the exchange rates approximating the foreign exchange rate ruling at the dates of the transactions. Statement of financial position items, are translated into United Stated dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Borrowing costs

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

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

(w) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(x) Segment reporting

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

3. ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 25 and 29 contain information about the assumptions and their risk factors relating to valuation of fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

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

As explained in Note 29(a)(i), impairment losses on trade receivables, other receivables and prepayments are assessed and provided based on the directors' regular review of the aging analysis and past collection history of each individual customer. A considerable level of judgement is exercised by the directors when assessing the credit worthiness and collectability of each receivable. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the consolidated statement of comprehensive in future years.

(b) Depreciation

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

(c) Net realisable value of inventories

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

(d) Income taxes

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

(e) Provision for warranties

As explained in Note 27, the Group makes provisions under the warranties it gives on sale of its motorbikes and other products taking into account the Group's recent claim experience. As the Group is continually upgrading its product designs and launching new models it is possible that the recent claim experience is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacture and sales of motorbikes, related spare parts and engines and provision of motorbike maintenance services.

Revenue represents the sales value of motorbikes, spare parts and engines supplied to customers, and revenue from moulds and repair services. The amount of each significant category of sales recognised in revenue during the year is as follows:

	2012	2011
	US$	*US$*
Sales of motorbikes	**174,359,604**	240,560,976
Sales of spare parts and engines	**29,743,130**	29,561,532
Revenue from moulds and repair services	**241,030**	111,828
	204,343,764	270,234,336

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

Further details regarding the Group's principal activities are disclosed below.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

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

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

The measure used for reporting segment profit is "adjusted EBIT" i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as net finance income/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.

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

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

	Year ended 31 December 2012			
	Manufacture and sales of motorbikes *US$*	**Manufacture and sales of spare parts and engines** *US$*	**Moulds and repair services** *US$*	**Total** *US$*
Revenue from external customers	**174,359,604**	**29,743,130**	**241,030**	**204,343,764**
Inter-segment revenue	**–**	**63,519,343**	**915,053**	**64,434,396**
Reportable segment revenue	**174,359,604**	**93,262,473**	**1,156,083**	**268,778,160**
Reportable segment loss (Adjusted EBIT)	**(4,399,681)**	**(1,138,280)**	**(82,705)**	**(5,620,666)**
Interest income	**5,965,685**	**1,008,743**	**190,183**	**7,164,611**
Interest expenses	**–**	**(8,434)**	**–**	**(8,434)**
Depreciation and amortisation for the year	**(6,280,087)**	**(1,734,668)**	**(111,772)**	**(8,126,527)**
Reportable segment assets	**53,358,246**	**31,600,074**	**2,396,083**	**87,354,403**
Reportable segment liabilities	**26,595,228**	**11,692,329**	**210,191**	**38,497,748**

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

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

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

	2012 ***US$***	2011 *US$*
Revenue		
Reportable segment revenue	**268,778,160**	366,631,318
Elimination of inter-segment revenue	**(64,434,396)**	(96,396,982)
Consolidated revenue *(Note 4(a))*	**204,343,764**	270,234,336

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2012 US$	2011 US$
Profit		
Reportable segment (loss)/profit	**(5,620,666)**	14,561,897
Elimination of inter-segment profits	**–**	–
Reportable segment (loss)/profit derived from Group's external customers	**(5,620,666)**	14,561,897
Share of profits of an associate	**53,588**	211,065
Net finance income	**8,581,698**	9,967,072
Unallocated corporate expenses	**(1,810,427)**	(2,670,463)
Consolidated profit before taxation	**1,204,193**	22,069,571

	At 31 December 2012 US$	At 31 December 2011 US$
Assets		
Reportable segment assets	**87,354,403**	93,364,355
Elimination of inter-segment receivables	**(2,530,385)**	(1,335,077)
	84,824,018	92,029,278
Investment in an associate	**677,338**	710,756
Investments and derivatives	**3,095,496**	3,015,000
Time deposits maturing after three months – current	**65,425,866**	45,204,411
Income tax recoverable	**11,082**	10,628
Cash and cash equivalents	**54,885,605**	65,896,469
Unallocated corporate assets	**243,104**	63,996
Consolidated total assets	**209,162,509**	206,930,538

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

4. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	At 31 December 2012 US$	At 31 December 2011 US$
Liabilities		
Reportable segment liabilities	**38,497,748**	30,738,061
Elimination of inter-segment payables	**(2,530,385)**	(1,335,077)
	35,967,363	29,402,984
Interest-bearing borrowings	**–**	410,549
Income tax payables	**625,716**	674,481
Unallocated corporate liabilities	**667,134**	1,023,528
Consolidated total liabilities	**37,260,213**	31,511,542

(iii) Geographic information

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

	Revenues from external customers		**Specified non-current assets**	
	2012 US$	2011 US$	**2012 US$**	2011 US$
Vietnam (place of domicile)	**140,422,550**	240,684,279	**36,028,376**	41,127,725
Other countries*	**63,921,214**	29,550,057	**1,319**	1,727
	204,343,764	270,234,336	**36,029,695**	41,129,452

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

5. OTHER INCOME

	2012 US$	2011 US$
Gain on disposal of property, plant and equipment	**11,381**	114,432
Sales of scraps	**205,855**	284,603
Changes in fair value of derivatives	**95,496**	15,000
Others	**73,184**	131,555
	385,916	545,590

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

6. PROFIT BEFORE TAXATION

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

(a) Net finance income

	2012 US$	2011 US$
Interest income from banks	**7,858,647**	10,081,397
Net foreign exchange gains	**731,485**	–
Finance income	**8,590,132**	10,081,397
Interest paid and payable to banks	**(8,434)**	(29,672)
Net foreign exchange losses	**–**	(84,653)
Finance costs	**(8,434)**	(114,325)
	8,581,698	9,967,072

(b) Staff costs

	2012 US$	2011 US$
Salaries, wages and other benefits	**10,800,131**	12,992,153
Equity-settled share-based payment expenses	**–**	10,532
Contributions to defined contribution plans	**843,660**	757,782
Severance pay allowance *(Note 27)*	**102,132**	322,348
	11,745,923	14,082,815

Description of the defined contribution plan

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

(c) Other items

	2012 US$	2011 US$
Amortisation of lease prepayments/intangible assets	**482,184**	319,263
Depreciation of property, plant and equipment	**7,644,343**	8,173,209
Write-down of inventories *(Note 18)*	**624,935**	55,046
Impairment losses on property, plant and equipment *(Note 13)*	**–**	12,556
Operating lease of properties	**906,574**	884,801
Auditors' remuneration	**401,772**	472,851
Research and development expenses *(i)*	**8,868,733**	11,717,963
Technical consultancy fee *(Note 31(a)(v))*	**967,255**	834,501
Warranty expenses *(Note 27)*	**826,745**	2,920,500
Equity-settled share-based payment expenses		
– employees of the Group	**–**	10,532
– employees of the ultimate holding company	**–**	7,506
Loss on disposal/write off of property, plant and equipment	**37,703**	–
Cost of inventories recognised as expenses *(ii)(Note 18)*	**158,085,909**	198,259,000

(i) Research and development expenses include amounts relating to technology transfer fee, staff costs, depreciation and amortisation expenses, rental expense of properties and other miscellaneous expenses, which are also included in the respective total amounts disclosed separately above or in Note 6(a) for each of these types of expenses. No development expenditure was capitalised during the year ended 31 December 2012 (2011: US$nil).

(ii) Cost of inventories recognised as expenses includes amounts relating to staff costs, depreciation and amortisation expenses and rental expense of properties, which are also included in the respective total amounts disclosed separately above or in Note 6(a) for each of these types of expenses.

(Expressed in United States dollars unless otherwise indicated)

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	US$	*US$*
Current tax		
– provision for the year	**859,865**	4,444,515
– under-provision in respect of prior years	**325,590**	308,306
	1,185,455	4,752,821
Deferred tax		
– origination and reversal of temporary differences	**(726,033)**	163,087
	459,422	4,915,908

No provision for Hong Kong profits tax has been made, as the Group did not earn any income subject to Hong Kong profits tax for the year ended 31 December 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 VMEP is calculated at 18% of the taxable profits on motorbike assembling and manufacturing activities and at the rate of 10% of taxable profits on engine assembling and manufacturing activities. The applicable tax rate for profits from other operating activities is 25%.

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

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

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

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

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

	2012	2011
	US$	*US$*
Profit before tax	**1,204,193**	22,069,571
Notional tax on profit before taxation using the CIT rate of 18%	**216,755**	3,972,523
Tax effect of non-deductible expenses	**356,230**	483,381
Tax effect of non-taxable income	**(277,101)**	(87,500)
Tax effect of differences in tax rates and tax holidays of subsidiaries	**(162,052)**	239,198
Under-provision for CIT in respect of prior years	**325,590**	308,306
Actual tax expense	**459,422**	4,915,908

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

8. DIRECTORS' REMUNERATION

Directors remuneration disclosed pursuant to section 161 of Hong Kong Companies Ordinance is as follows:

	Salaries, allowances and benefits in kind	Discretionary bonuses	Directors' fee	Share-based payments *(Note 25)*	2012 Total
	US$	*US$*	*US$*	*US$*	*US$*
Chairman:					
Chang, Kwang-Hsiung (resigned on 25 June 2012)	45,150	–	–	–	45,150
Chou, Ken-Yuan (appointed as executive director on 3 January 2012 and chairman on 21 August 2012)	82,820	–	–	–	82,820
Executive directors:					
Lee, Hsi-Chun (resigned on 3 January 2012)	–	–	–	–	–
Wang, Ching-Tung	90,895	–	–	–	90,895
Yu, Wen-Lung (appointed on 3 January 2012)	21,781	–	–	–	21,781
Chen, Chung-Long (appointed on 21 August 2012)	27,501	–	–	–	27,501
Non-executive directors:					
Liu, Wu-Hsiung Harrison (resigned on 3 January 2012)	–	–	–	–	–
Chiang, Shin-Huang	–	–	3,000	–	3,000
Chiu, Ying-Feng (appointed on 3 January 2012)	–	–	3,000	–	3,000
Independent non-executive directors:					
Wei, Sheng-Huang	–	–	25,000	–	25,000
Shen, Hwa-Rong	–	–	25,000	–	25,000
Lin, Ching-Ching	–	–	25,000	–	25,000
	268,147	–	81,000	–	349,147

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

8. DIRECTORS' REMUNERATION (Continued)

	Salaries, allowances and benefits in kind *US$*	Discretionary bonuses *US$*	Directors' fee *US$*	Share-based payments *(Note 25)* *US$*	2011 Total *US$*
Chairman:					
Chang, Kwang-Hsiung	77,400	–	–	561	77,961
Executive directors:					
Lou, Hen-Wen (resigned on 15 Nov 2011)	72,308	–	–	–	72,308
Lee, Hsi-Chun	37,992	–	–	449	38,441
Wang, Ching-Tung	86,909	26,115	–	449	113,473
Non-executive directors:					
Liu, Wu-Hsiung Harrison	–	–	3,000	466	3,466
Chiang, Shin-Huang	–	–	3,000	–	3,000
Independent non-executive directors:					
Hsu, Nai-Cheng Simon (resigned on 23 May 2011)	–	–	12,500	–	12,500
Wei, Sheng-Huang	–	–	25,000	–	25,000
Shen, Hwa-Rong (appointed on 22 August 2011)	–	–	9,041	–	9,041
Lin, Ching-Ching	–	–	25,000	–	25,000
	274,609	26,115	77,541	1,925	380,190

Note: These represent the estimated fair value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(q)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share-based payments" in the directors' report and Note 25.

The Group did not pay any emoluments to directors of the Company for the year ended 31 December 2012 as an inducement fee to join or as compensation for loss of office. None of the persons who are directors of the Company waived or agreed to waive any emoluments or remuneration during the year ended 31 December 2012.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2011: one) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2011: four) individuals are as follows:

	2012 ***US$***	2011 *US$*
Salaries, wages and other benefits	**209,943**	266,019
Discretionary bonuses	**5,454**	82,449
Equity-settled share-based payment expenses	**–**	1,179
	215,397	349,647

During the year ended 31 December 2012, no emoluments were paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the three (2011: four) individuals with the highest emoluments are within the following bands:

	2012 *Number of individuals*	2011 *Number of individuals*
Hong Kong Dollar ("HK$")		
Nil to 1,000,000	**3**	4

10. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a deficit of US$450,062 (2011: profit of US$27,589,597) which has been dealt with in the financial statements of the Company *(Note 28(a))*.

11. OTHER COMPREHENSIVE INCOME

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

	2012			2011		
	Before-tax Amount *US$*	**Tax benefit *US$***	**Net-of-tax amount *US$***	Before-tax amount *US$*	Tax benefit *US$*	Net-of-tax amount *US$*
Exchange differences on translation of financial statements of overseas subsidiaries	**912,305**	**–**	**912,305**	(9,416,863)	–	(9,416,863)

(b) Components of other comprehensive income, including reclassification adjustments

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

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of US$744,771 (2011: US$17,153,663) and the weighted average of 907,680,000 ordinary shares (2011: 907,680,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The amount of diluted earnings per share is the same as the basic earnings per share for the year ended 31 December 2012 as there was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

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(Expressed in United States dollars unless otherwise indicated)

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings US$	Machinery, moulds and equipment US$	Office equipment, furniture and fittings US$	Electrical, water and utility systems US$	Motor vehicles US$	Assets under construction US$	Total US$
Cost							
At 1 January 2011	10,846,886	72,844,533	2,023,118	5,175,858	1,378,146	7,759,034	100,027,575
Additions	419,857	2,631,455	150,820	259,395	332,068	1,163,702	4,957,297
Transfer from assets under construction	4,675,047	1,135,057	–	2,154,258	–	(7,964,362)	–
Transfer to long-term prepayments	–	–	–	–	–	(328,840)	(328,840)
Disposals	–	(1,140,371)	–	–	(192,845)	–	(1,333,216)
Written off	–	(240,778)	(25,355)	–	(9,355)	–	(275,488)
Effect of movements in exchange rates	(918,868)	(5,342,379)	(150,325)	(438,281)	(101,428)	(388,275)	(7,339,556)
At 31 December 2011	15,022,922	69,887,517	1,998,258	7,151,230	1,406,586	241,259	95,707,772
Additions	139,703	1,600,506	122,879	5,062	172,264	679,646	2,720,060
Transfer from assets under construction	–	557,033	–	–	–	(557,033)	–
Transfer to long-term prepayments	–	–	–	–	–	(58,391)	(58,391)
Disposals	–	(36,554)	(1,147)	–	(117,539)	–	(155,240)
Written off	–	(414,927)	(35,328)	–	–	–	(450,255)
Effect of movements in exchange rates	125,984	546,075	16,355	60,338	8,411	2,060	759,223
At 31 December 2012	15,288,609	72,139,650	2,101,017	7,216,630	1,469,722	307,541	98,523,169
Accumulated depreciation and impairment loss							
At 1 January 2011	3,979,252	48,789,563	1,328,088	4,219,636	896,257	–	59,212,796
Depreciation charge for the year	1,324,153	6,164,550	225,243	342,519	116,744	–	8,173,209
Impairment loss	–	12,556	–	–	–	–	12,556
Disposals	–	(1,140,371)	–	–	(168,043)	–	(1,308,414)
Written off	–	(229,665)	(24,110)	–	(8,209)	–	(261,984)
Effect of movements in exchange rates	(323,120)	(3,646,498)	(101,515)	(316,672)	(61,505)	–	(4,449,310)
At 31 December 2011	4,980,285	49,950,135	1,427,706	4,245,483	775,244	–	61,378,853
Depreciation charge for the year	896,691	6,065,476	201,605	348,195	132,376	–	7,644,343
Disposals	–	(4,571)	(191)	–	(48,739)	–	(53,501)
Written off	–	(414,927)	(34,427)	–	–	–	(449,354)
Effect of movements in exchange rates	47,956	468,131	30,901	35,954	24,089	–	607,031
At 31 December 2012	5,924,932	56,064,244	1,625,594	4,629,632	882,970	–	69,127,372
Net book value							
At 31 December 2012	9,363,677	16,075,406	475,423	2,586,998	586,752	307,541	29,395,797
At 31 December 2011	10,042,637	19,937,382	570,552	2,905,747	631,342	241,259	34,328,919

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(Expressed in United States dollars unless otherwise indicated)

14. INTANGIBLE ASSETS

Intangible assets represent computer software.

	The Group	
	2012	2011
	US$	*US$*
Cost		
At 1 January	**1,108,977**	1,104,803
Additions	**191,405**	87,020
Effect of movements in exchange rates	**9,430**	(82,846)
At 31 December	**1,309,812**	1,108,977
Accumulated amortisation		
At 1 January	**961,420**	940,520
Charge for the year	**100,308**	91,873
Effect of movements in exchange rates	**8,150**	(70,973)
At 31 December	**1,069,878**	961,420
Net book value		
At 31 December	**239,934**	147,557

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

15. LEASE PREPAYMENTS

Lease prepayments represent prepaid land lease rental and related costs.

	The Group	
	2012	2011
	US$	*US$*
At 1 January	**6,652,976**	679,702
Additions	**8,462**	6,075,917
Transfer from assets under construction	**58,391**	328,840
Less: amortisation	**(381,876)**	(227,390)
Effect of movements in exchange rates	**56,011**	(204,093)
At 31 December	**6,393,964**	6,652,976

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

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(Expressed in United States dollars unless otherwise indicated)

16. INVESTMENT IN SUBSIDIARIES

	The Company	
	2012	2011
	US$	*US$*
Unlisted shares, at cost	**65,712,212**	65,712,212
Share-based payments	**197,171**	197,171
	65,909,383	65,909,383

Details of the subsidiaries of the Company as at 31 December 2012 are set out below. The class of shares held is ordinary unless otherwise stated.

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

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17. INVESTMENT IN AN ASSOCIATE

The Group's investment in an associate of US$677,338 (2011: US$710,756) represents its share of the net assets of the Vietnam Three Brothers Machinery Industry Co., Limited ("VTBM").

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

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

Summary of financial information on VTBM:

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit**
	US$	*US$*	*US$*	*US$*	*US$*
2012					
100%	**2,943,554**	**(758,594)**	**2,184,960**	**4,688,950**	**172,864**
Group's effective interest-31%	**912,502**	**(235,164)**	**677,338**	**(1,453,575)**	**(53,588)**
2011					
100%	3,218,311	(925,550)	2,292,761	7,705,768	680,854
Group's effective interest-31%	997,676	(286,921)	710,756	(2,388,788)	(211,065)

18 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group	
	2012	2011
	US$	*US$*
Raw materials	**21,781,768**	26,866,072
Tools and supplies	**573,937**	520,268
Work in progress	**848,241**	883,681
Finished goods	**4,542,261**	6,489,033
Merchandise inventories*	**4,851,920**	5,070,990
	32,598,127	39,830,044
Write-down of inventories	**(654,207)**	(334,882)
Net realisable value	**31,943,920**	39,495,162

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

18. INVENTORIES (Continued)

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss is as follows:

	The Group	
	2012	2011
	US$	*US$*
Carrying amount of inventories sold	**158,085,909**	198,259,000
Write-down of inventories	**624,935**	55,046
	158,710,844	198,314,046

(c) Movements in write-down of inventories were as follows:

	2012	2011
At 1 January	**334,882**	1,146,993
Additions	**624,935**	55,046
Utilisation	**(307,583)**	(810,737)
Effect of movements in exchange rates	**1,973**	(56,420)
At 31 December	**654,207**	334,882

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Trade receivables *(Note 19(a) and Note 19(b))*	**4,864,000**	3,457,357	**–**	–
Non-trade receivables *(Note 19(c))*	**7,925,125**	4,324,345	**184,335**	63,996
Prepayments *(Note 19(d))*	**2,928,183**	3,561,964	**58,769**	–
Amounts due from related parties *(Note 31(b))*				
– trade	**523,848**	115,699	**–**	–
– non-trade	**118,208**	1,693	**24,500,000**	24,500,000
	16,359,364	11,461,058	**24,743,104**	24,563,996

(a) Trade receivables

All of the trade receivables are expected to be recovered within one year. The Group's credit policy is set out in Note 29(a).

An aging analysis of the trade receivables of the Group, including trade receivables due from related parties set out in Note 31(b), is as follows:

	The Group	
	2012	2011
	US$	*US$*
Within 3 months	**5,331,427**	3,551,802
More than 3 months but within 1 year	**56,421**	21,254
	5,387,848	3,573,056

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

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

(b) Trade receivables that are not impaired

The aging analysis of trade receivables of the Group that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2012	2011
	US$	*US$*
Neither past due nor impaired	**5,031,149**	3,522,252
Less than 1 month past due	**172,600**	3,209
1 to 3 months past due	**127,678**	26,341
More than 3 months but within 1 year	**56,421**	21,254
	356,699	50,804
	5,387,848	3,573,056

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Non-trade receivables

	The Group		The Company	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Deductible value-added tax	**4,567,404**	2,673,251	**–**	–
Import tax refundable	**696,326**	286,513	**–**	–
Interest receivable	**2,009,593**	343,835	**174,888**	–
Others	**651,802**	1,020,746	**9,447**	63,996
	7,925,125	4,324,345	**184,335**	63,996

The above balances are unsecured, interest-free and have no fixed terms of repayment. They are expected to be recovered or utilised within one year.

(d) Prepayments

Prepayments	**1,139,033**	1,149,031	**58,769**	–
Advances to suppliers	**1,789,150**	2,412,933	**–**	–
	2,928,183	3,561,964	**58,769**	–

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

20. INVESTMENTS

	The Group/The Company	
	2012	2011
	US$	*US$*
US$ digital capital protected notes *(i)*	**–**	3,000,000
US$ callable collared floating rate notes *(ii)*	**3,000,000**	–
	3,000,000	3,000,000

(i) Notes of US$3 million were acquired on 29 December 2011. The notes were 100% principal-protected provided that they were redeemed at maturity. The notes had 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 had a term of six months and matured on 29 June 2012.

(ii) Notes of US$3 million were acquired on 27 September 2012. The notes are 100% principal-protected provided that they are redeemed at maturity. The notes have a collared variable coupon rate of a floor of 1.45% and a cap of 5.00%, and an embedded call option. The notes have a term of three years and will mature on 27 September 2015.

The Group's exposure to credit, currency and interest rate risks and fair value information are disclosed in Note 29.

21. TIME DEPOSITS MATURING AFTER THREE MONTHS

	The Group		The Company	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Denominated in VN$	**45,274,688**	25,204,411	**–**	–
Denominated in US$	**10,000,000**	20,000,000	**10,000,000**	20,000,000
Denominated in RMB	**10,151,178**	–	**10,151,178**	–
	65,425,866	45,204,411	**20,151,178**	20,000,000

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

Effective interest rates – VN$	**8.6% to 14%**	12% to 14%	**–**	–
Effective interest rates – US$	**0.129% to 3%**	1.27% to 3%	**0.129% to 1.38%**	1.27%
Effective interest rates – RMB	**1.4% to 3.15%**	–	**1.4% to 3.15%**	–

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Denominated in VN$	**22,935,115**	27,645,138	**–**	–
Denominated in US$	**26,101,438**	31,597,334	**10,215,074**	16,793,696
Denominated in RMB	**5,209,826**	5,009,900	**5,209,826**	5,009,900
Denominated in NT$	**577,466**	1,502,548	**–**	–
Denominated in HK$	**15,927**	28,245	**15,927**	28,245
Denominated in IDR	**45,833**	113,304	**–**	–
	54,885,605	65,896,469	**15,440,827**	21,831,841

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

Effective interest rates – VN$	**2% to 14%**	6% to 14.5%	**–**	–
Effective interest rates –US $	**0.001% to 1%**	0.01% to 2%	**0.001% to 1%**	0.01% to 1.2%

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Trade payables *(Note 23(a))*	**10,438,907**	10,075,926	**–**	–
Other payables and accrued operating expenses *(Note 23(b))*	**9,106,037**	9,540,556	**373,628**	729,560
Advances from customers	**2,149,084**	1,494,302	**–**	–
Amounts due to related parties *(Note 31(c))*				
– trade	**10,578,705**	7,504,614	**–**	–
– non-trade	**2,556,206**	1,180	**1,000**	1,180
	34,828,939	28,616,578	**374,628**	730,740

(a) Trade payables

An aging analysis of trade payables of the Group, including trade payables due to related parties as set out in Note 31(c), is as follows:

	The Group	
	2012	2011
	US$	*US$*
Within 3 months	**20,810,216**	17,502,961
More than 3 months but within 1 year	**19,558**	76,363
More than 1 year but within 5 years	**187,838**	1,216
	21,017,612	17,580,540

(b) Other payables and accrued operating expenses

	The Group		The Company	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Other tax payables	**1,276,736**	1,001,216	**–**	–
Commission and bonuses payable to dealers	**1,934,164**	2,238,959	**–**	–
Accrued expenses	**2,992,675**	3,250,235	**373,628**	729,560
Other payables	**2,902,462**	3,050,146	**–**	–
	9,106,037	9,540,556	**373,628**	729,560

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

24. INTEREST-BEARING BORROWINGS

(a) Current

	The Group	
	2012	2011
	US$	*US$*
Bank borrowings – unsecured	**–**	410,549

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

Short-term interest-bearing borrowings	**–**	7.70%

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

24. INTEREST-BEARING BORROWINGS (Continued)

(b) Maturity of borrowings

The maturity profile of the interest-bearing borrowings of the Group as at each end of the reporting periods is as follows:

	The Group	
	2012	2011
	US$	*US$*
Within one year	**–**	410,549

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS (Continued)

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

	Weighted average exercise price *HK$*	Number of options
Outstanding at 1 January 2012	2.90	11,874,000
Lapsed during the year	2.90	(2,485,000)
Outstanding at 31 December 2012		9,389,000
Exercisable at 31 December 2012		9,389,000

No share option has been exercised during the year ended 31 December 2012.

The options outstanding at 31 December 2012 had an exercise price of HK$2.90 and a contractual life of 0.08 years.

(c) Fair value of share options and assumptions

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

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

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

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

26. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group	
	2012 ***US$***	2011 *US$*
At 1 January	**663,853**	1,682,594
Provision for tax for the year	**859,865**	4,444,515
Under provision in prior years	**325,590**	308,306
Income tax paid	**(1,239,562)**	(5,670,778)
Effect of movements in exchange rates	**4,888**	(100,784)
At 31 December	**614,634**	663,853
Represented by:		
Income tax recoverable	**(11,082)**	(10,628)
Income tax payable	**625,716**	674,481
	614,634	663,853

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

26. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets recognised:

The Group

The components of deferred tax assets recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:

	Write-down of inventories	Depreciation difference	Others	Total
	US$	*US$*	*US$*	*US$*
At 1 January 2011	154,347	–	24,142	178,489
Debited to profit or loss	(117,754)	–	(45,333)	(163,087)
Effect of movements in exchange rates	(3,522)	–	(4,278)	(7,800)
At 31 December 2011	33,071	–	(25,469)	7,602
Debited to profit or loss	75,842	181,442	468,749	726,033
Effect of movements in exchange rates	(33,042)	70	33,480	508
At 31 December 2012	75,871	181,512	476,760	734,143

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(r), the Group has not recognised deferred tax assets in respect of accumulated tax losses of US$1,305,463 (2011: US$1,284,795) of a subsidiary as at 31 December 2012, as the Group does not consider the utilisation of the accumulated tax losses of that subsidiary to be probable before their expiry.

27. PROVISIONS

The Group	Warranties	Severance pay	Total
	US$	*US$*	*US$*
At 1 January 2012	413,102	1,396,832	1,809,934
Additions	826,745	102,132	928,877
Utilisation during the year	(834,581)	(131,778)	(966,359)
Effect of movements in exchange rates	3,483	9,333	12,816
At 31 December 2012	408,749	1,376,519	1,785,268

The Company	Severance pay
	US$
At 1 January 2012	292,788
Additions	84,960
Utilisation during the year	(85,242)
At 31 December 2012	292,506

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27. PROVISIONS (Continued)

(a) Provision for warranties

Further details in respect of the provision for warranties are set out in Note 3(e).

(b) Provision for severance pay obligation

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

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

28. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	**Share capital** *US$*	**Share premium** *US$*	**Capital reserve** *US$*	**Retained profits/ (deficit)** *US$*	**Total equity** *US$*
Balance at 1 January 2011		1,162,872	112,198,709	1,944,628	(8,617,152)	106,689,057
Total comprehensive income		–	–	–	27,589,597	27,589,597
Equity settled share-based transactions		–	–	18,038	–	18,038
Balance at 31 December 2011/ 1 January 2012		1,162,872	112,198,709	1,962,666	18,972,445	134,296,692
Total comprehensive income		–	–	–	(450,062)	(450,062)
Dividends	*28(b)*	–	–	–	(5,173,776)	(5,173,776)
At 31 December 2012		1,162,872	112,198,709	1,962,666	13,348,607	128,672,854

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2012 *US$*	2011 *US$*
Final dividend proposed after the end of the reporting period of US$nil (2011: US$0.0057) per ordinary share	**–**	5,173,776

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, declared and paid during the year

	2012 *US$*	2011 *US$*
Final dividend in respect of the previous year, declared and paid during the year of US$0.0057 per ordinary share (2011: US$nil)	**5,173,776**	–

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28. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Share capital

	2012 Number of Shares	**2012** Amount US$	2011 Number of Shares	2011 Amount US$
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000,000**	**12,811,479**	10,000,000,000	12,811,479
Ordinary shares, issued and fully paid:				
At 1 January/31 December	**907,680,000**	**1,162,872**	907,680,000	1,162,872

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

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

Capital reserve represents the portion of the grant date fair value of unexercised share options granted to employee of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments *(Note 2(q)(ii))*.

(iii) Exchange reserve

The exchange reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policy adopted for foreign currencies *(see Note 2(u))*.

(iv) Statutory reserves

Statutory reserves represents the statutory reserve of Chin Zong.

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

(v) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to equity holders of the Company was US$125,547,316 (2011: US$131,171,154).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

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

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

The Group had no derivative instruments that are designated and qualified as hedging instruments for the year ended 31 December 2012. Exposure to credit, interest rate, currency risk and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

(i) Trade receivables, other receivables and prepayments

The Group's exposure to credit risk is low as the Group generally offers no credit terms to domestic customers, which accounted for approximately 69% (2011: 89%) of total sales. Overseas customers are generally granted credit terms ranging from 30 days to 60 days. The Group does not have any significant exposure to any individual customer or counter party.

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

Based on past experience, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due; 10% (2011: 3%) of the trade receivables as at year end are due from related parties which have a good trading and settlement record with the Group.

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

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

The maximum exposure to credit risk for trade receivables at the end of the reporting period by business type was as follows:

	2012	2011
	US$	*US$*
Manufacture and sales of motorbikes	**3,819,302**	1,319,798
Manufacture and sales of spare parts and engines	**1,395,383**	2,234,739
Moulds and repair services	**173,163**	18,519
	5,387,848	3,573,056

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

(ii) Investments

Investments are normally in unquoted notes entered into to earn higher yields. Issuers of thee notes are of high credit rating and are evaluated by the management of the Group on a regular basis.

(iii) Deposits with banks

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

Notes to the Consolidated Financial Statements

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Interest rate risk

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

(i) Interest-bearing financial assets

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

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

(ii) Interest-bearing financial liabilities

The Group's interest-bearing financial liabilities comprise fixed rate bank borrowings *(Note 24)*, and the Group did not have variable-rate borrowings. The Group therefore had no significant exposure to a risk of change in cash flows due to changes of interest rates on interest bearing financial liabilities. The Company had no interest bearing financial liabilities during the year.

(c) Currency risk

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

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

(i) Exposure to currency risk

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

The Group

	Exposure to foreign currencies (expressed in US$)	
2012	***US$***	***RMB***
Trade and other receivables	**3,920,487**	**–**
Time deposits maturing after three months	**–**	**10,151,178**
Cash and cash equivalents	**15,899,675**	**5,209,826**
Trade and other payables	**(17,973,483)**	**–**
Net exposure arising from recognised assets and liabilities	**1,846,679**	**15,361,004**
2011	*US$*	*RMB*
Trade and other receivables	2,017,117	–
Cash and cash equivalents	15,011,281	5,009,900
Trade and other payables	(11,089,797)	–
Interest-bearing borrowings	(472,396)	–
Net exposure arising from recognised assets and liabilities	5,466,205	5,009,900

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29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Currency risk (Continued)

(i) Exposure to currency risk (Continued)

The Company

	Exposure to foreign currencies (expressed in US$)
	RMB
2012	
Time deposits maturing after three months	**10,151,178**
Cash and cash equivalents	**5,209,826**
Net exposure arising from recognised assets	**15,361,004**
2011	*RMB*
Cash and cash equivalents	5,009,900
Net exposure arising from recognised assets	5,009,900

(ii) Sensitivity analysis

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

The Group

	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		US$		*US$*
US$	**5%**	**74,037**	5%	272,309
	(5%)	**(74,037)**	(5%)	(272,309)
RMB	**5%**	**768,050**	5%	250,495
	(5%)	**(768,050)**	(5%)	(250,495)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2011.

(d) Liquidity risk

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(d) Liquidity risk (Continued)

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

The Group

2012	**Within 6 months or on demand**	**6 – 12 months**	**more than 1 year**	**Total**	**Carrying amount at 31 Dec**
	US$	*US$*	*US$*	*US$*	*US$*
Trade and other payables excluding advances from customers	**32,328,070**	**351,785**	**–**	**32,679,855**	**32,679,855**

2011					
Trade and other payables excluding advances from customers	26,536,866	585,410	–	27,122,276	27,122,276
Bank borrowings – unsecured	421,262	–	–	421,262	410,549
	26,958,128	585,410	–	27,543,538	27,532,825

The Company

2012					
Other payables	**374,628**	**–**	**–**	**374,628**	**374,628**

2011					
Other payables	730,740	–	–	730,740	730,740

(e) Business risk

The Group has certain concentration risk of raw materials and finished goods sourcing from related parties. The Group's total purchases of raw materials and finished goods from the related parties amounted to US$47,331,159 (2011: US$49,092,089) which accounted for approximately 31.4% (2011: 23.3%) of the Group's total purchases for the year ended 31 December 2012.

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

(f) Fair value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011 due to the short maturities of these financial instruments. At the end of the year, the fair value of derivatives of the Group was US$95,496 (2011: US$15,000).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(g) Estimation of fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2012. The following methods and assumptions were used to estimate the fair value for each class of financial instrument:

(i) Derivatives

The fair value of derivatives was measured using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

30. COMMITMENTS

(a) Capital commitments

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

	The Group	
	2012	2011
	US$	*US$*
Contracted for	**419,798**	607,891
Authorised but not contracted for	**16,525,879**	16,159,158
	16,945,677	16,767,049

On 25 January 2011, the Group's Board of Directors resolved to relocate one of the Group's factories from Ha Tay province to a new location, as the Group has been informed that the Vietnam government intends to redevelop Ha Tay province. The relocation is expected to be completed by September 2014. The capital commitment authorised but not contracted for as at the end of the reporting period in respect of this relocation and construction of the new factory is US$17 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:

Within 1 year	**777,982**	836,098
After 1 year but within 5 years	**1,256,311**	1,705,884
After 5 years	**9,732,196**	10,006,331
	11,766,489	12,584,313

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.

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

31. MATERIAL RELATED PARTY TRANSACTION

During the year ended 31 December 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 holder of the Group
Teamworld Industries Corporation	Effectively controlled by the Huang Family, the single largest equity holder of Sanyang
Vietnam Three Brothers Machinery Industry Co., Limited	The associate of the Company and a non-wholly owned subsidiary of Sanyang
Sanyang Vietnam Automobile Co., Ltd.	A subsidiary of SY International Limited, the equity holder of the Company
Sanyang Global Co., Ltd.	Effectively controlled by Sanyang, the controlling equity holder of the Group
Hanoi Full Ta Precision Company Limited	The associate of Sanyang Industry Co., Ltd.

(a) Recurring transactions

	2012	2011
	US$	*US$*
Sales of finished goods and spare parts: *(i)*		
Sanyang Industry Co., Ltd.	**283,752**	595,947
Sanyang Vietnam Automobile Co., Ltd.	**–**	86,867
	283,752	682,814
Purchases of raw materials and finished goods: *(ii)*		
Sanyang Industry Co., Ltd.	**25,993,390**	29,937,059
Sanyang Global Co., Ltd.	**9,060,441**	9,495,956
Vietnam Three Brothers Machinery Industry Co., Limited	**2,988,215**	5,355,381
Xia Shing Xiamen Motorcycle Co., Ltd.	**8,487,630**	4,178,957
Hanoi Full Ta Precision Company Limited	**801,483**	124,737
	47,331,159	49,092,090
Purchases of property, plant and equipment: *(iii)*		
Sanyang Industry Co., Ltd.	**139,875**	603,673
Vietnam Three Brothers Machinery Industry Co., Limited	**94,725**	–
	234,600	603,673
Technology transfer fees: *(iv)*		
Sanyang Industry Co., Ltd.	**4,518,351**	6,899,833
Technical consultancy fees: *(v)*		
Sanyang Industry Co., Ltd.	**967,255**	834,501

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

31. MATERIAL RELATED PARTY TRANSACTION (Continued)

(a) Recurring transactions (Continued)

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

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

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

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

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

(b) Amount due from related parties

	The Group	
	2012	2011
	US$	*US$*
Trade		
Sanyang Global Co., Ltd.	**3,146**	699
Sanyang Industry Co., Ltd.	**40,292**	12,659
Sanyang Vietnam Automobile Co., Ltd.	**–**	7,789
Xia Shing Xiamen Motorcycle Co., Ltd.	**480,410**	94,552
Subtotal	**523,848**	115,699
Non-trade		
Sanyang Industry Co., Ltd.	**3,174**	1,693
Vietnam Three Brothers Machinery Industry Co., Limited	**115,034**	–
Subtotal	**118,208**	1,693
Total	**642,056**	117,392

	The Company	
	2012	2011
	US$	*US$*
Non-trade		
Vietnam Manufacturing and Export Processing Co., Ltd	**24,500,000**	24,500,000

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

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

31. MATERIAL RELATED PARTY TRANSACTION (Continued)

(c) Amount due to related parties

	The Group	
	2012	2011
	US$	*US$*
Trade		
Sanyang Global Co., Ltd.	**1,664,219**	1,614,948
Sanyang Industry Co., Ltd.	**8,295,455**	5,519,958
Hanoi Full Ta Precision Company Limited	**91,163**	62,846
Vietnam Three Brothers Machinery Industry Co., Limited	**336,192**	222,862
Xia Shing Xiamen Motorcycle Co., Ltd.	**191,676**	84,000
Subtotal	**10,578,705**	7,504,614
Non-trade		
Sanyang Industry Co., Ltd.	**2,556,206**	1,180
Subtotal	**2,556,206**	1,180
Total	**13,134,911**	7,505,794

	The Company	
	2012	2011
	US$	*US$*
Non-trade		
Sanyang Industry Co., Ltd.	**1,000**	1,180
Total	**1,000**	1,180

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

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

(d) Key management personnel remuneration

	2012	2011
	US$	*US$*
Short-term employee benefits	**897,401**	1,036,953
Equity-settled share-based payment expenses	**–**	3,091
	897,401	1,040,044

Total remuneration is included in "staff costs" as set out in Note 6(b).

Notes to the Consolidated Financial Statements

(Expressed in United States dollars unless otherwise indicated)

32. IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.