Century Synthetic Fiber Corporation

Financial statements

31 December 2011

Ernst & Young

Century Synthetic Fiber Corporation

CONTENTS

Century Synthetic Fiber Corporation

GENERAL INFORMATION

THE COMPANY

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate ("BRC") No. 4103003288 issued by the Department of Planning and Investment of Ho Chi Minh City on 11 April 2005 and the following amended BRC:

Amended BRC No.	*Date*
4103003288 – 1st	24 May 2007
4103003288 – 2nd	12 September 2007
4103003288 – 3rd	6 August 2008
4103003288 – 4th	14 March 2009
4103003288 – 5th	12 November 2009
0302018927 – 6th	13 January 2010
0302018927 – 7th	8 October 2010
0302018927 – 8th	19 October 2011

The Company has a branch established in accordance with Investment Certificate No. 45211000130 issued by the Tay Ninh Industrial Zone Administration on 26 June 2009 and the following amended Investment Certificates:

Amended Investment Certificate No.	*Date*
45211000130 – 1st	17 August 2009
45211000130 – 2nd	27 May 2010
45211000130 – 3rd	11 June 2010
45211000130 – 4th	15 April 2011

The Company's principal activity is to manufacture synthetic yarn and knitting.

The Company's registered head office is located at North West Cu Chi Industry Zone, Cu Chi District, Ho Chi Minh City, Vietnam and its branch is located at Trang Bang Industry Zone, Trang Bang District, Tay Ninh Province, Vietnam.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mr. Dang Trieu Hoa	Chairman
Mr. Dang Huong Cuong	Member
Ms. Dang My Linh	Member
Mr. Lee Chien Kuan	Member
Mr. Jean Eric Jacquemin	Member
Mr. Thai Tuan Chi	Member

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr. Nguyen Tu Luc	Head of the Board of Supervision
Ms. Nguyen Thi Ngoc Linh	Member
Ms. Phan Thi Hong Phuc	Member

MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr. Dang Trieu Hoa	General Director
Mr. Huang Wei Ling	Deputy General Director
Mr. Huynh Van Tien	Branch's Deputy General Director

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Dang Trieu Hoa.

AUDITORS

The auditors of the Company is Ernst & Young Vietnam Limited.

Management of Century Synthetic Fiber Corporation ("the Company") is pleased to present its report and the financial statements of the Company for the year ended 31 December 2011.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of the Company which give a true and fair view of the state of affairs of the Company and of the results of its operations and its cash flows for the year. In preparing those financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

For and on behalf of management:

CÔNG TY CỔ PHẦN SỢI THẾ KỶ

Dang Trieu Hoa
General Director

15 March 2012

ERNST & YOUNG

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Saigon Riverside Office Center
8th Floor, 2A-4A Ton Duc Thang Street
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Reference: 60867230/15010903

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Century Synthetic Fiber Corporation

We have audited the financial statements of Century Synthetic Fiber Corporation ("the Company") as set out on pages 5 to 35 which comprise the balance sheet as at 31 December 2011, and the income statement and the cash flow statement for the year then ended and the notes thereto.

The preparation and presentation of these financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

S.G.C.N: 4110430018333 - Đ.T.N.NG
CÔNG TY
TRÁCH NHIỆM HỮU HẠN
ERNST & YOUNG
VIỆT NAM
QUẬN 1 - TP. HỒ CHÍ MINH

Ernst & Young Vietnam Ltd.

Ernst & Young Vietnam Limited

Mai Viet Hung Tran	Bui Xuan Vinh
Deputy General Director	Auditor
Certificate No. D.0048/KTV	Certificate No. 0842/KTV

Ho Chi Minh City, Vietnam

15 March 2012

BALANCE SHEET
as at 31 December 2011

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	**A. CURRENT ASSETS**		**289,641,888,714**	**218,083,281,708**
110	***I. Cash and cash equivalents***	***4***	***69,234,006,084***	***36,060,781,013***
111	1. Cash		27,068,406,084	13,235,581,013
112	2. Cash equivalents		42,165,600,000	22,825,200,000
130	***II. Accounts receivable***		***58,031,757,180***	***90,266,542,294***
131	1. Trade receivables	5	38,131,234,618	32,884,181,106
132	2. Advances to suppliers		4,013,706,975	4,759,593,881
135	3. Other receivables	6	15,886,815,587	52,622,767,307
140	***III. Inventories***	***7***	***143,264,189,001***	***73,482,231,437***
141	1. Inventories		143,264,189,001	73,482,231,437
150	***V. Other current assets***		***19,111,936,449***	***18,273,726,964***
151	1. Short-term prepaid expenses		2,129,494,668	1,111,675,595
152	2. Value-added tax deductible		16,943,102,677	15,903,014,095
154	3. Tax and other receivables from the State		6,333,239	-
158	4. Other current assets		33,005,865	1,259,037,274
200	**B. NON-CURRENT ASSETS**		**584,940,492,354**	**434,273,072,930**
210	***I. Long-term receivables***		***1,000,000,000***	***-***
218	1. Other long-term receivables		1,000,000,000	-
220	***II. Fixed assets***		***536,989,505,545***	***393,022,931,000***
221	1. Tangible fixed assets	8	350,448,431,339	190,134,658,947
222	Cost		499,693,419,520	293,914,098,914
223	Accumulated depreciation		(149,244,988,181)	(103,779,439,967)
224	2. Finance leases	9	111,139,650,243	-
225	Cost		122,355,578,248	-
226	Accumulated depreciation		(11,215,928,005)	-
227	3. Intangible fixed assets	10	-	6,735,325
228	Cost		113,300,000	113,300,000
229	Accumulated amortisation		(113,300,000)	(106,564,675)
230	4. Construction in progress	11	75,401,423,963	202,881,536,728
260	***III. Other long-term assets***		***46,950,986,809***	***41,250,141,930***
261	1. Long-term prepaid expenses	12	40,475,132,678	35,887,274,290
262	2. Deferred tax assets	21.2	575,906,571	-
268	3. Other long-term assets		5,899,947,560	5,362,867,640
270	**TOTAL ASSETS**		**874,582,381,068**	**652,356,354,638**

BALANCE SHEET (continued)
as at 31 December 2011

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	**A. LIABILITIES**		**484,403,824,774**	**326,879,606,691**
310	***I. Current liabilities***		***315,005,014,236***	***153,340,957,379***
311	1. Short-term loans	13	60,102,609,792	29,641,836,000
312	2. Trade payables		201,832,700,308	104,595,623,309
313	3. Advances from customers		2,582,555,036	3,560,909,060
314	4. Statutory obligations	14	33,467,463,243	4,694,367,822
315	5. Payables to employees		3,102,244,466	1,850,203,535
316	6. Accrued expenses	15	5,233,156,197	7,750,988,457
319	7. Other payables		1,216,316,090	373,522,725
323	8. Bonus and welfare fund		7,467,969,104	873,506,471
330	***II. Non-current liabilities***		***169,398,810,538***	***173,538,649,312***
334	1. Long-term loans and debts	16	168,997,267,288	173,281,822,356
336	2. Provision for severance allowance		401,543,250	256,826,956
400	**B. OWNERS' EQUITY**		**390,178,556,294**	**325,476,747,947**
410	***I. Capital***	***17.1***	***390,178,556,294***	***325,476,747,947***
411	1. Share capital		229,888,340,000	197,326,400,000
412	2. Share premium		40,145,500,800	40,557,750,800
414	3. Treasury shares		(11,650,560,000)	-
418	4. Financial reserve fund		1,219,011,000	1,219,011,000
420	5. Undistributed earnings		130,576,264,494	86,373,586,147
440	**TOTAL LIABILITIES AND OWNERS' EQUITY**		**874,582,381,068**	**652,356,354,638**

OFF BALANCE SHEET ITEM

ITEM	Ending balance	Beginning balance
- Foreign currency (US$)	1,188,701	1,751,264

Phan Nhu Bich
Chief Accountant

CÔNG TY CỔ PHẦN SỢI THẾ KỶ
Đ.K.K.D: 0302018927 - C.T.C.P

Dang Trieu Hoa
General Director

15 March 2012

Century Synthetic Fiber Corporation B02-DN

INCOME STATEMENT
for the year ended 31 December 2011

VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
1	**1. Revenue from sale of goods**	**18.1**	**935,783,448,485**	**505,959,194,077**
2	**2. Deductions**	**18.1**	**(874,995,000)**	**-**
10	**3. Net revenue from sale of goods**	**18.1**	**934,908,453,485**	**505,959,194,077**
11	**4. Cost of goods sold**	**20**	**(756,845,768,711)**	**(387,698,528,690)**
20	**5. Gross profit**		**178,062,684,774**	**118,260,665,387**
21	**6. Financial income**	**18.2**	**25,545,155,597**	**17,339,657,203**
22	**7. Financial expenses**	**19**	**(47,492,801,864)**	**(21,158,462,332)**
23	*- In which: Interest expense*		*(18,099,539,768)*	*(7,043,015,410)*
24	**8. Selling expenses**	**20**	**(19,637,737,491)**	**(8,666,584,943)**
25	**9. General and administration expenses**	**20**	**(30,206,542,837)**	**(22,200,529,946)**
30	**10. Operating profit**		**106,270,758,179**	**83,574,745,369**
31	**11. Other income**		**467,325,589**	**46,591,300**
32	**12. Other expenses**		**(222,507,487)**	**(497,026,127)**
40	**13. Other profit (loss)**		**244,818,102**	**(450,434,827)**
50	**14. Profit before tax**		**106,515,576,281**	**83,124,310,542**
51	**15. Current corporate income tax expense**	**21.1**	**(24,599,778,497)**	**(4,779,543,727)**
52	**16. Deferred income tax benefit**	**21.2**	**575,906,571**	**-**
60	**17. Net profit after tax**		**82,491,704,355**	**78,344,766,815**
70	**18. Earnings per share**	**23**	**3,923**	**4,343**

Phan Nhu Bich
Chief Accountant

CÔNG TY CỔ PHẦN SỢI THẾ KỶ

Dang Trieu Hoa
General Director

15 March 2012

CASH FLOW STATEMENT
for the year ended 31 December 2011

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Profit before tax**		**106,515,576,281**	**83,124,310,542**
	Adjustments for:			
02	Depreciation and amortisation	8,9,10	56,688,211,544	27,641,251,266
04	Unrealised foreign exchange losses	18.2, 19	13,624,875,313	4,564,996,905
05	Profits from investing activities	18.2	(11,883,699,879)	(12,749,030,705)
06	Interest expense	19	18,099,539,768	7,043,015,410
08	**Operating profit before changes in working capital**		**183,044,503,027**	**109,624,543,418**
09	Decrease (increase) in receivables		19,846,026,056	(32,271,945,827)
10	Increase in inventories		(69,781,957,564)	(36,623,615,122)
11	Increase in payables		90,241,694,367	51,617,085,988
12	Increase in prepaid expenses		(5,605,677,461)	(28,665,652,767)
13	Interest paid		(19,412,048,568)	(6,951,887,109)
14	Corporate income tax paid	21.1	(11,146,557,936)	(7,261,350,355)
16	Other cash outflows from operating activities		-	(11,265,988,061)
20	**Net cash from operating activities**		**187,185,981,921**	**38,201,190,165**
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets		(58,691,825,283)	(162,148,709,616)
22	Proceeds from disposal of fixed assets		-	13,181,818
23	Term deposit		68,000,000,000	-
24	Collections from term deposit		(68,000,000,000)	-
26	Proceeds from sale of investments in other entities		-	19,463,641,656
27	Interest received		11,425,783,212	2,748,608,591
30	**Net cash used in investing activities**		**(47,266,042,071)**	**(139,923,277,551)**
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Capital contribution and issuance of shares	17.1	3,673,600,000	-
32	Capital redemption		-	(11,947,200,000)
33	Drawdown of borrowings		378,471,605,747	198,877,307,614
34	Repayment of borrowings		(444,655,486,343)	(124,598,783,590)
35	Payment of finance lease liabilities		(44,236,579,768)	-
40	**Net cash (used in) from financing activities**		**(106,746,860,364)**	**62,331,324,024**

CASH FLOW STATEMENT (continued)
for the year ended 31 December 2011

VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
50	**Net increase (decrease) in cash and cash equivalents**		**33,173,079,486**	**(39,390,763,362)**
60	**Cash and cash equivalents at beginning of the year**	**4**	**36,060,781,013**	**75,451,544,375**
61	**Impact of exchange rate fluctuation**		**145,585**	**-**
70	**Cash and cash equivalents at the end of the year**	**4**	**69,234,006,084**	**36,060,781,013**

Phan Nhu Bich
Chief Accountant

Đ.K.K.D: 0302018927 - C.T.C.P
CÔNG TY
CỔ PHẦN
SỢI THẾ KỶ
H.CU CHI - TP. HỒ CHÍ MINH

Dang Trieu Hoa
General Director

15 March 2012

1. CORPORATE INFORMATION

Century Synthetic Fiber Corporation ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Registration Certificate ("BRC") No. 4103003288 issued by the Department of Planning and Investment of Ho Chi Minh City on 11 April 2005 and the following amended BRC:

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The Company's principal activity is to manufacture synthetic yarn and knitting.

The Company's registered head office is located at North West Cu Chi Industry Zone, Cu Chi District, Ho Chi Minh City, Vietnam and its branch is located at Trang Bang Industry Zone, Trang Bang District, Tay Ninh Province, Vietnam.

The number of the Company' employees as at 31 December 2011 was 644 (31 December 2010: 450).

2. BASIS OF PREPARATION

2.1 Accounting standards and system

The financial statements of the Company, expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards ("VAS") issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four VAS (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six VAS (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six VAS (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six VAS (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four VAS (Series 5).

2. BASIS OF PREPARATION (continued)

2.1 *Accounting standards and system* (continued)

Accordingly, the accompanying balance sheet, income statement, cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 *Registered accounting documentation system*

The Company's registered accounting documentation system is the General Journal system.

2.3 *Fiscal year*

The Company's fiscal year starts on 1 January and ends on 31 December.

2.4 *Accounting currency*

The Company maintains its accounting records in VND.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Change in accounting policy*

The accounting policies adopted by the Company in preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010 except for the change in the accounting policy in relation to the adoption of the International Financial Reporting Standards on presentation and disclosures of financial instruments.

On 6 November 2009, the Ministry of Finance issued Circular No. 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") with effectiveness from financial years beginning on or after 1 January 2011.

The adoption of Circular 210 results in new disclosures being added to the financial statements as shown in Notes 26 and 27.

Circular 210 also requires the Company to evaluate the terms of non-derivative financial instrument issued by the Company to determine whether it contains both a liability and an equity component. Such components are classified separately as financial liabilities, financial assets or equity instruments in the balance sheet. This requirement has no impact on the financial position or result of operation of the Company as the Company has not yet issued such non-derivative financial instruments.

3.2 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

3.3 *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 *Inventories* (continued)

The perpetual method is used to record inventories, which are valued as follows:

Raw materials	-	cost of purchase on a weighted average basis.
Finished goods and work in progress	-	cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

3.4 *Receivables*

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, along with the provision for doubtful debts.

The provision for doubtful debts represents the estimated loss due to non-collection of receivables that were outstanding at the balance sheet date. Increases and decreases to the provision balance are recorded as general and administration expense in the income statement.

3.5 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalised and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.6 *Leased assets*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the balance sheet at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 *Leased assets* (continued)

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful live of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Rentals under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

3.7 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

3.8 *Depreciation and amortisation*

Depreciation of tangible fixed assets and finance lease assets, and amortisation of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Building and structure	10 - 15 years
Machinery and equipment	1 – 10 years
Motor vehicles	3 – 10 years
Office equipment	3 – 5 years
Computer software	3 years

3.9 *Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalized as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

3.10 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

3.11 *Payables and accruals*

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Provision for severance allowance

The severance allowance to employee is provided at the end of each reporting period for all employees who have more than 12 months in service up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code, Law on Social Insurance and related implementing guidance. Commencing 1 January 2009, the average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the balance sheet date. Any changes to the accrued amount will be taken into the income statement.

3.13 Foreign currency transactions

The Company follows the guidance under VAS 10 "The Effects of Changes in Exchange Rates" (the "VAS 10") in relation to foreign currency transactions as applied consistently in prior years.

Transactions in currencies other than the Company reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at inter-bank exchange rates ruling at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the income statement.

The above guidance related to unrealized foreign exchange differences provided by VAS 10 is different from those stipulated in the Circular No. 201/2009/TT-BTC issued on 15 October 2009 by the Ministry of Finance providing guidance for the treatment of foreign exchange differences (the "Circular 201") as follows:

Transaction	***VAS 10***	***Circular 201***
Translation of short-term monetary assets and liabilities denominated in foreign currencies.	All unrealised foreign exchange differences are taken to the income statement.	All unrealised foreign exchange differences are taken to the "Foreign exchange differences reserve" account in the equity section of the balance sheet and will be reversed on the following year.
Translation of long-term monetary liabilities denominated in foreign currencies at year end.	All unrealised foreign exchange differences are taken to the income statement.	All unrealized foreign exchange gains are taken to the income statement. All foreign exchange losses will be charged to the income statement. However, if the charging of all foreign exchange losses results in net loss before tax for the Company, part of the exchange losses can be deferred and allocated to the income statement within the subsequent five years. In any case, the total foreign exchange loss to be charged to current period's income must be at least equivalent to the foreign exchange losses arising from the translation of the current portion of the long-term liabilities, while the remaining portion of the foreign exchange losses can be deferred in the balance sheet and allocated to the income statement within the subsequent five years.

The impact to the financial statements had the Company adopted the Circular 201 for the year ended 31 December 2011 is presented in Note 25.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

3.15 Appropriation of net profit

Net profit after tax is available for appropriation to shareholders after approval in the shareholders' meeting and after making appropriation to reserve funds in accordance with the Company' Charter and Vietnam's regulatory requirements.

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting.

Financial reserve fund

This fund is set aside to protect the Company's normal operations from business risks or losses, or to prepare for unforeseen losses or damages for objective reasons and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits.

3.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

3.17 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intend to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Taxation (continued)

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Company intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.18 Financial instruments

Financial instruments – initial recognition and presentation

<u>Financial assets</u>

Financial assets within the scope of Circular 210 are classified, for disclosures in the notes to the financial statements, as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Financial instruments (continued)

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

Financial instruments – subsequent re-measurement

No subsequent re-measurement of financial instruments is currently required.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. CASH AND CASH EQUIVALENTS

VND

	Ending balance	*Beginning balance*
Cash on hand	253,751,927	29,512,059
Cash in banks	26,814,654,157	13,206,068,954
Cash equivalents *(i)*	42,165,600,000	22,825,200,000
TOTAL	**69,234,006,084**	**36,060,781,013**

(i) Cash equivalents represent short-term bank deposit with maturity of one month which are readily convertible into known amount of cash without any significant risk of change in value, and earn an applicable deposit interest.

5. TRADE RECEIVABLES

VND

	Ending balance	*Beginning balance*
Related party *(Note 22)*	1,297,296,435	658,364,674
Third parties	36,833,938,183	32,225,816,432
TOTAL	**38,131,234,618**	**32,884,181,106**

6. OTHER RECEIVABLES

VND

	Ending balance	*Beginning balance*
Advance to Saigon Thuong Tin Bank Finance Leasing Company	-	34,654,553,380
Receivable from sale of treasury shares to Ho Chi Minh Security Corporation	-	16,570,560,000
Bank interest receivable	457,916,667	-
Import tax refundable	12,854,530,243	-
Others	2,574,368,677	1,397,653,927
TOTAL	**15,886,815,587**	**52,622,767,307**

7. INVENTORIES

VND

	Ending balance	*Beginning balance*
Raw materials	15,592,929,799	14,554,001,984
Finished goods	75,345,550,155	14,703,892,493
Work in process	21,049,531,001	25,271,206,879
Goods in transit	31,276,178,046	18,953,130,081
TOTAL	**143,264,189,001**	**73,482,231,437**

8. TANGIBLE FIXED ASSETS

VND

	Buildings and structures	*Machinery and equipment*	*Motor vehicles*	*Office equipment*	*Total*
Cost:					
Beginning balance	65,148,031,929	221,837,641,457	6,629,896,460	298,529,068	293,914,098,914
Newly purchased	-	-	181,818,182	-	181,818,182
Transferred from construction in progress	75,498,973,383	99,687,490,475	30,345,763,080	65,275,486	205,597,502,424
Ending balance	140,647,005,312	321,525,131,932	37,157,477,722	363,804,554	499,693,419,520
In which:					
Fully depreciated	-	*18,882,989,022*	*2,869,069,762*	*161,891,852*	*21,913,950,636*
Accumulated depreciation:					
Beginning balance	20,379,402,222	79,207,768,254	3,975,722,752	216,546,739	103,779,439,967
Depreciation for the year	10,022,584,671	30,760,014,454	4,638,777,882	44,171,207	45,465,548,214
Ending balance	30,401,986,893	109,967,782,708	8,614,500,634	260,717,946	149,244,988,181
Net carrying amount:					
Beginning balance	44,768,629,707	142,629,873,203	2,654,173,708	81,982,329	190,134,658,947
Ending balance	110,245,018,419	211,557,349,224	28,542,977,088	103,086,608	350,448,431,339
In which:					
Pledged/mortgaged as loan security (Notes 16 and 26)	*110,245,018,419*	*211,557,349,224*	*28,542,977,088*	-	*350,345,344,731*

9. FINANCE LEASES

	VND *Machinery and equipment*
Cost:	
Beginning balance	-
Transferred from construction in progress	122,355,578,248
Ending balance	122,355,578,248
Accumulated depreciation:	
Beginning balance	-
Depreciation for the year	11,215,928,005
Ending balance	11,215,928,005
Net carrying amount:	
Beginning balance	-
Ending balance	111,139,650,243

The Company leases machinery used in its production line. Under the terms of the finance lease dated 25 February 2011, the Company has the option to purchase the machinery at the expiry of the lease on 25 February 2016. Commitments for future lease payments under this lease are set out in Note 16.2.

10. INTANGIBLE FIXED ASSETS

	VND *Computer software*
Cost:	
Beginning and ending balance	113,300,000
In which:	
Fully amortised	*113,300,000*
Accumulated amortisation:	
Beginning balance	106,564,675
Amortisation for the year	6,735,325
Ending balance	113,300,000
Net carrying amount:	
Beginning balance	6,735,325
Ending balance	-

11. CONSTRUCTION IN PROGRESS

Construction in progress as at 31 December 2011 represents the development cost of ERP project, the construction cost and machinery under installation at the Company's branch.

12. LONG-TERM PREPAID EXPENSES

		VND
	Ending balance	*Beginning balance*
Land rental	34,006,552,231	32,110,325,408
Others	6,468,580,447	3,776,948,882
TOTAL	**40,475,132,678**	**35,887,274,290**

13. SHORT-TERM LOANS

Short-term loans represent the current portion of long-term loans and debts at the balance sheet date. *(Note 16)*

14. STATUTORY OBLIGATIONS

		VND
	Ending balance	*Beginning balance*
Corporate income tax *(Note 21.1)*	15,068,380,172	1,615,159,611
Import duty	18,228,860,241	2,880,359,365
Personal income tax	170,222,830	198,848,846
TOTAL	**33,467,463,243**	**4,694,367,822**

15. ACCRUED EXPENSES

		VND
	Ending balance	*Beginning balance*
Performance bonus	-	2,054,259,399
Utilities	2,631,301,895	1,905,458,042
Sale commission	1,795,684,562	972,966,786
Interest expense	295,615,171	1,608,123,971
Professional services fee	319,626,274	365,236,000
Others	190,928,295	844,944,259
TOTAL	**5,233,156,197**	**7,750,988,457**

16. LONG-TERM LOANS AND DEBTS

	Ending balance	Beginning balance
		VND
Loans from banks	150,433,979,040	202,923,658,356
Finance lease obligation	78,665,898,040	-
TOTAL	**229,099,877,080**	**202,923,658,356**
In which		
Current portion (Note 13)	*60,102,609,792*	*29,641,836,000*
Non-current portion	*168,997,267,288*	*173,281,822,356*

16.1 Long-term loans from banks

	Ending balance	*Original amount*	*Term and maturity date*	*Interest rate (p.a)*	*Description of collateral*
	VND	*US$*			
Dong A Joint Stock Commercial Bank					
No H.0200/32	4,707,128,000	226,000	60 months from 23 August 2007	4.8%	Assets funded by loans and other ancillary works at the Northwest Industrial Park
No H.0202/32	2,291,080,000	110,000	60 months from 22 November 2007	4.8%	
No H. 0204/32	4,290,568,000	206,000	60 months from 11 December 2007	4.8%	
No H. 0206/32	11,038,840,000	530,000	60 months from 15 January 2008	4.8%	
No H.0207/32	5,373,624,000	258,000	60 months from 18 January 2008	4.8%	
No H.0208/32	6,331,712,000	304,000	60 months from 25 January 2008	4.8%	
No H.0209/32	2,249,424,000	108,000	60 months from 12 February 2008	4.8%	
	36,282,376,000	**1,742,000**			
In which: Current portion (Note 13)	*31,700,216,000*	*1,522,000*			
Vietnam Export and Import Joint Stock Commercial Bank					
No. 200908121	113,612,574,400	5,454,800	96 months from 20 July 2010	From 6.8% to 7.1%	Land use right; building and structures; and machineries at Trang Bang, Tay Ninh
No. 201002483	539,028,640	25,880	96 months from 20 July 2010	From 6.1% to 7.8%	
	114,151,603,040	**5,480,680**			
In which: Current portion (Note 13)	*9,522,478,288*	*457,196*			
TOTAL	**150,433,979,040**	**7,222,680**			

16. LONG-TERM LOANS AND DEBTS (continued)

16.2 Finance lease

The Company leases machineries from 25 February 2011 under a finance lease arrangement. Future obligations due under finance leases agreements as at 31 December 2011 were as follows:

VND

	Ending balance		
	Total minimum lease payments	*Finance charges*	*Lease liabilities*
Current liabilities			
Less than 1 year *(Note 13)*	22,844,725,461	3,964,809,957	18,879,915,504
Non-current liabilities			
From 1 to 5 years	65,108,143,047	5,322,160,511	59,785,982,536
TOTAL	**87,952,868,508**	**9,286,970,468**	**78,665,898,040**

17. OWNERS' EQUITY

17.1 *Increase and decrease in owners' equity*

VND

	Share capital	*Share premium*	*Treasury shares*	*Financial reserve fund*	*Undistributed earnings*	*Total*
Previous year:						
Beginning balance	140,000,000,000	13,913,000,000	-	1,219,011,000	14,189,454,466	169,321,465,466
Increase in capital	40,000,000,000	35,932,000,000	-	-	-	75,932,000,000
Bonus shares	17,326,400,000	(13,913,000,000)		-	(3,413,400,000)	-
Re-purchase of treasury shares	-	-	(11,944,809,200)			(11,944,809,200)
Re-issuance of treasury shares	-	4,625,750,800	11,944,809,200			16,570,560,000
Net profit for the year	-	-	-	-	78,344,766,815	78,344,766,815
Profit appropriation	-	-	-	-	(2,747,235,134)	(2,747,235,134)
Ending balance	197,326,400,000	40,557,750,800	-	1,219,011,000	86,373,586,147	325,476,747,947
Current year:						
Beginning balance	197,326,400,000	40,557,750,800	-	1,219,011,000	86,373,586,147	325,476,747,947
Increase in capital	3,673,600,000	-	-	-	-	3,673,600,000
Treasury shares	-	(412,250,000)	(11,650,560,000)	-	-	(12,062,810,000)
Net profit for the year	-	-	-	-	82,491,704,355	82,491,704,355
Dividend	28,888,340,000	-	-	-	(28,888,340,000)	-
Profit appropriation	-	-	-	-	(9,400,686,008)	(9,400,686,008)
Ending balance	229,888,340,000	40,145,500,800	(11,650,560,000)	1,219,011,000	130,576,264,494	390,178,556,294

17. OWNERS' EQUITY (continued)

17.2 Capital transactions with owners

	Current year	VND Previous year
Issued share capital		
Beginning balance	197,326,400,000	140,000,000,000
Increase	32,561,940,000	57,326,400,000
Ending balance	229,888,340,000	197,326,400,000

17.3 Shares

	Current year *Shares*	Previous year *Shares*
Shares authorised to be issued	22,988,834	19,732,640
Shares issued and fully paid	22,988,834	19,732,640
Ordinary shares	*22,988,834*	*19,732,640*
Preference shares	-	-
Treasury shares	(473,600)	-
Ordinary shares	*(473,600)*	-
Preference shares	-	-

18. REVENUES

18.1 Revenues from sale of goods

	Current year	VND Previous year
Gross revenue	**935,783,448,485**	**505,959,194,077**
Less:		
Sales returns	(874,995,000)	-
Net revenue	**934,908,453,485**	**505,959,194,077**

18.2. Financial income

	Current year	VND Previous year
Realised foreign exchange gain	13,661,455,718	2,979,359,094
Interest income	11,883,699,879	2,281,942,591
Income from disposal of investment	-	10,840,878,202
Unrealised foreign exchange gain	-	770,811,316
Dividend received	-	466,666,000
TOTAL	**25,545,155,597**	**17,339,657,203**

19. FINANCIAL EXPENSES

		VND
	Current year	*Previous year*
Realised foreign exchange loss	15,768,386,783	7,977,247,901
Unrealised foreign exchange losses	13,624,875,313	5,335,808,221
Interest expense	18,099,539,768	7,043,015,410
Loss on transfer of stocks	-	802,390,800
TOTAL	**47,492,801,864**	**21,158,462,332**

20. PRODUCTION AND OPERATING COSTS

		VND
	Current year	*Previous year*
Raw materials	684,543,334,715	339,641,377,212
Labour costs	28,881,367,450	15,062,349,856
Depreciation and amortisation	37,209,109,483	28,661,778,393
Expenses for external services	40,494,944,611	22,154,604,892
Other expenses	15,561,292,780	13,045,533,226
TOTAL	**806,690,049,039**	**418,565,643,579**

21. CORPORATE INCOME TAX

The Company has the obligation to pay corporate income tax ("CIT") at rate of 15% of taxable profit for 12 years starting from its commercial operations and at the rate of 25% for the years thereafter.

In accordance with the tax audit minutes dated 25 November 2011 issued by the Ho Chi Minh City Department of Tax, the Company is entitled to an exemption from CIT for 1 year which was 2009 and a 50% reduction for the following 4 years in respect of income generated from the Company's expansion project from July 2007 to January 2009.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

21.1 Current CIT

The current tax payable is based on taxable profit for the year. The taxable profit of the Company for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

21. CORPORATE INCOME TAX (continued)

21.1 *Current CIT* (continued)

A reconciliation between the accounting profit before tax reported in the income statement and taxable profit for the year is presented below:

VND

	Current year			*Previous year*
	Operating activities	*Other activities*	*Total*	
Net profit before tax	**100,029,727,071**	**6,485,849,210**	**106,515,576,281**	**83,124,310,542**
Adjustments to accounting profit:				
Provision for severance allowance	208,991,544	-	208,991,544	187,584,836
Unrealised foreign exchange gains	(573,750,192)	-	(573,750,192)	(770,811,316)
Accrued expenses	822,717,776	-	822,717,776	972,966,786
Dividend received	-	-	-	(466,666,000)
Unrealised profit of Branch	1,329,452,359	-	1,329,452,359	-
Non-deductible expenses	1,767,242,003	-	1,767,242,003	1,855,663,034
Adjusted net profit before loss carry forward and tax	**103,584,380,561**	**6,485,849,210**	**110,070,229,771**	**84,903,047,882**
Tax loss carry forward	(2,928,676,962)	-	(2,928,676,962)	-
Estimated current taxable profit	**100,655,703,599**	**6,485,849,210**	**107,141,552,809**	**84,903,047,882**
Estimated current CIT expenses	**16,480,492,752**	**1,621,462,303**	**18,101,955,055**	**8,045,637,792**
Adjustment for under (over) accrual of tax from prior years			**6,497,823,442**	**(3,266,094,065)**
			24,599,778,497	**4,779,543,727**
CIT payable at beginning of year			1,615,159,611	4,096,966,239
CIT paid during the year			(11,146,557,936)	(7,261,350,355)
CIT payable at end of year *(Note 14)*			**15,068,380,172**	**1,615,159,611**

The adjustment represents the under accrual of CIT from previous year in accordance with the tax assessment dated 25 November 2011 of the Ho Chi Minh City Department of Tax.

21. CORPORATE INCOME TAX (continued)

21.2 Deferred CIT

The followings are the deferred tax assets recognized by the Company, and the movements thereon, during the current and previous year.

VND

	Balance sheet		*Income statement*	
	Ending balance	*Beginning balance*	*Current year*	*Previous year*
Deferred tax assets				
Accrued expenses	269,352,684	-	269,352,684	-
Unrealised profit	332,363,090	-	332,363,090	-
Provision for severance allowance	60,231,488	-	60,231,488	-
Unrealised foreign exchange gain	(86,040,691)	-	(86,040,691)	-
	575,906,571	**-**		
Net deferred income tax credit to income statement			**575,906,571**	-

22. TRANSACTION WITH A RELATED PARTY

Significant transaction with a related party during the year was as follows:

VND

Related party	*Relationship*	*Transaction*	*Amount*
P.A.N Asia Limited Company	Related party	Sale of goods	19,587,114,973

Amount due from a related party at the balance sheet date was as follows:

VND

	Relationship	*Transaction*	*Receivable*
Trade receivable *(Note 5)*			
P.A.N Asia Limited Company	Related party	Sale of goods	1,297,296,435

In accordance with the resolution No. 11-09/BB/HDQTTK on 20 November 2009 of the Board of Director, these related party transactions are approved by the Board of Director and the value of each transaction is not exceeding 20% total assets of the Company.

23. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares

VND

	Current year	*Previous year*
Net profit after tax for the year	82,491,704,355	78,344,766,815
Weighted average number of ordinary shares during the year	21,027,519	18,040,645
Earnings per share *(par value of VND 10,000/share)*	3,923	4,343

24. COMMITMENTS

Operating lease commitment

The Company leases assets under operating lease arrangements. The minimum lease commitment as at 31 December 2011 under the operating lease agreements is as follows:

VND

	Ending balance	*Beginning balance*
Less than 1 year	382,402,080	-
From 1 to 5 years	1,529,608,320	498,290,240
More than 5 years	18,022,722,303	-
TOTAL	**19,934,732,703**	**498,290,240**

Capital commitments

At 31 December 2011, the Company had outstanding commitments of VND 2,550,489,768 principally relating to construction for its branch at Trang Bang, Tay Ninh Province, Vietnam.

25. EFFECTS OF CIRCULAR 201 TO THE FINANCIAL STATEMENTS

As mentioned in Note 3.13, in 2011 the Company continues to follow the guidance provided under VAS 10 on foreign currency transactions which is different from those stipulated in the Circular 201.

25. EFFECTS OF CIRCULAR 201 TO THE FINANCIAL STATEMENTS (continued)

Had the Company adopted Circular 201 from financial years beginning on or after 1 January 2009, the financial position and financial operating results of the Company would have been as follows:

			VND
	VAS 10	*Circular 201*	*Difference*
Balance sheet			
Foreign exchange difference reserves	-	(13,624,875,313)	13,624,875,313
Retained earnings	130,576,264,494	144,201,139,807	(13,624,875,313)
Income statement			
Foreign exchange loss	(13,624,875,313)	-	(13,624,875,313)
Earnings per share			
Basic	*3,923*	*4,374*	*(451)*

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, trade payables and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Company does not hold or issue derivative financial instruments.

The Company is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Company. The Company has a policy of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

Management reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits.

The sensitivity analyses in the following sections relate to the position as at 31 December 2011 and 31 December 2010.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

In calculating the sensitivity analyses, management assumed that the statement of the balance sheet relates to available-for-sale debt instrument; the sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2011 and 31 December 2010.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rate relates primarily to the Company's long-term debts with floating interest rate.

The Company manages interest rate risk by keeping close watch on the relevant market situation contemplate and adapt its level as well as financing strategies to the prevailing situation.

A sensitivity analysis is not performed for interest rate risk as the Company's exposure to interest-rate risk is minimal at reporting date.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's accounting currency).

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		VND
	Change in US$ rate	*Effect on profit before tax*
For the year ended 31 December 2011		
	10%	(34,577,601,339)
	-10%	34,577,601,339
For the year ended 31 December 2010		
	10%	(15,958,499,291)
	-10%	15,958,499,291

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions.

Trade receivables

Customer credit risk is managed by the Company based on its established policy, procedures and control relating to customer credit risk management.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. The Company seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

Bank deposits

The Company's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. The Company's maximum exposure to credit risk for the components of the balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Company evaluates the concentration of credit risk in respect to bank deposit as low.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Company monitors its liquidity risk by maintain a level of cash and cash equivalents and bank loans deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

VND

	Less than 1 year	*From 1 to 5 years*	*Total*
31 December 2011			
Loans and borrowings	60,102,609,792	168,997,267,288	229,099,877,080
Trade payables	201,832,700,308	-	201,832,700,308
Other payables and accrued expenses	6,449,472,287	-	6,449,472,287
	268,384,782,387	**168,997,267,288**	**437,382,049,675**
31 December 2010			
Loans and borrowings	29,641,836,000	173,281,822,356	202,923,658,356
Trade payables	104,595,623,309	-	104,595,623,309
Other payables and accrued expenses	8,124,511,182	-	8,124,511,182
	142,361,970,491	**173,281,822,356**	**315,643,792,847**

The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders

Collateral

The Company has pledged part of its tangible fixed assets in order to fulfil the collateral requirements for the long-term loan obtained from Banks (Note 16). At 31 December 2011 and 31 December 2010, the net carrying values of the fixed assets pledged were VND 350,448,431,731 and VND 142,629,873,203 respectively. There are no other significant terms and conditions associated with the use of collateral.

The Company did not hold collateral at 31 December 2011 and 31 December 2010.

27. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

VND

	Carrying amount		*Fair value*	
	Ending balance	*Beginning balance*	*Ending balance*	*Beginning balance*
Financial assets				
- Trade receivables	38,131,234,618	32,884,181,106	38,131,234,618	32,884,181,106
- Other receivables	15,886,815,587	52,622,767,307	15,886,815,587	52,622,767,307
- Other non-current financial assets	6,932,953,425	6,621,904,914	6,932,953,425	6,621,904,914
- Cash and cash equivalents	69,234,006,084	36,060,781,013	69,234,006,084	36,060,781,013
Total	**130,185,009,714**	**128,189,634,340**	**130,185,009,714**	**128,189,634,340**
Financial liabilities				
- Loans and borrowings	229,099,877,080	202,923,658,356	229,099,877,080	202,923,658,356
- Trade payable	201,832,700,308	104,595,623,309	201,832,700,308	104,595,623,309
- Other current liabilities	6,449,472,287	8,124,511,182	6,449,472,287	8,124,511,182
Total	**437,382,049,675**	**315,643,792,847**	**437,382,049,675**	**315,643,792,847**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2011, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

28. CORRESPONDING FIGURES

Certain figures in the balance sheet as at 31 December 2011 have been reclassified to conform to the presentation. In particular, as at 31 December 2010, the Company recognized the addition of share capital for new shares issued to employees which has not been paid by them at this date. The share capital was netted off against other receivables for the current year presentation, resulting in a reduction in the share capital and other receivables as at 31 December 2010 by the same amount of VND 3,673,600,000.

29. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

Phan Nhu Bich	Dang Trieu Hoa
Chief Accountant	General Director

15 March 2012