Refrigeration Electrical Engineering Corporation

Consolidated financial statements

31 December 2012

Ernst & Young

ERNST & YOUNG

Refrigeration Electrical Engineering Corporation

CONTENTS

GENERAL INFORMATION

THE COMPANY

Refrigeration Electrical Engineering Corporation ("the Company") is a joint stock company established in Vietnam in accordance with Business Registration Certificate No. 1506/GP-UB issued on 25 December 1993 by the People's Committee of Ho Chi Minh City and the Business Registration No.0300741143 issued by Department of Planning and Investment of Ho Chi Minh City with the latest amendment on 25 June 2011. Shares of the Company are listed on the Ho Chi Minh City Stock Exchange in accordance with License No.01/GPPH issued by the State Securities Commission on 2 June 2000.

The principal activities of the Company and its subsidiaries ("the Group") are mechanical and electrical engineering services (M&E), manufacturing, assembling and sales of air-conditioner systems, real estate development and management, and strategic financial investments in infrastructure related sectors.

The Company's head office is located at 364 Cong Hoa Street, Ward 13, Tan Binh District, Ho Chi Minh City, Vietnam.

THE BOARD OF DIRECTORS

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

Madam Nguyen Thi Mai Thanh	Chairwoman
Mr Dominic Scriven	Vice chairman
Mr Nguyen Ngoc Thai Binh	Member
Mr Luc Chanh Truong	Member
Mr Quach Vinh Binh	Member

BOARD OF SUPERVISION

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

Madam Do Thi Trang	Head of Board of Supervision
Mr Le Anh Tuan	Member
Mr Nguyen Van Khoa	Member

MANAGEMENT

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

Madam Nguyen Thi Mai Thanh	General Director	
Mr Tran Van Thanh	Deputy General Director	resigned on 1 January 2013
Mr Huynh Thanh Hai	Deputy General Director	appointed on 1 January 2013
Mr Quach Vinh Binh	Deputy General Director	

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Madam Nguyen Thi Mai Thanh.

AUDITORS

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

REPORT OF MANAGEMENT

Management of Refrigeration Electrical Engineering Corporation ("the Company") is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") as at 31 December 2012 and for the year then ended.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated state of affairs of the Group and of the Group's consolidated results and consolidated cash flows for the year. In preparing those consolidated 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 consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Group 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 consolidated financial statements as at 31 December 2012 and for the year then ended.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2012 and of the consolidated results of its operations and its consolidated 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 CƠ ĐIỆN LẠNH

Nguyen Thi Mai Thanh
General Director

10 March 2013

ERNST & YOUNG

Ernst & Young Vietnam Limited
Bitexco Financial Tower
28th Floor, 2 Hai Trieu Street
District 1, Ho Chi Minh City, S.R. of Vietnam
Tel: +84 8 3824 5252
Fax: +84 8 3824 5250
www.ey.com/vn

Reference: 60752771/15504513

INDEPENDENT AUDITORS' REPORT

To: The Shareholders and the Board of Directors of Refrigeration Electrical Engineering Corporation

We have audited the consolidated financial statements of Refrigeration Electrical Engineering Corporation ("the Company") and its subsidiaries (collectively referred to as the "Group") as set out on pages 4 to 49 which comprise the consolidated balance sheet as at 31 December 2012, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

The preparation and presentation of these consolidated financial statements are the responsibility of the management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

Ernst & Young Vietnam Limited

Narciso T. Torres Jr.
Deputy General Director
Certificate No. N.0868/KTV

Le Vu Truong
Auditor
Certificate No. N.1588/KTV

Ho Chi Minh City, Vietnam

10 March 2013

CONSOLIDATED BALANCE SHEET
as at 31 December 2012

VND

Code	ASSETS	Notes	31 December 2012	31 December 2011
100	**A. CURRENT ASSETS**		**3,122,711,167,618**	**2,480,357,822,897**
110	***I. Cash and cash equivalents***	***4***	***834,707,800,990***	***427,326,473,974***
111	1. Cash		238,167,711,642	69,561,203,062
112	2. Cash equivalents		596,540,089,348	357,765,270,912
120	***II. Short-term investments***	***13***	***883,513,299,591***	***773,505,813,738***
121	1. Short-term investments		971,263,072,851	1,050,376,205,090
129	2. Provision for diminution in value of investments		(87,749,773,260)	(276,870,391,352)
130	***III. Accounts receivable***		***858,974,723,435***	***564,789,877,975***
131	1. Trade receivables		496,528,157,576	320,930,086,539
132	2. Advances to suppliers	5	104,643,648,079	95,775,277,781
134	3. Construction contract receivables		289,792,833,799	168,483,922,816
135	4. Other receivables	6	40,828,092,673	22,008,715,074
139	5. Provision for doubtful debts		(72,818,008,692)	(42,408,124,235)
140	***IV. Inventories***	***7***	***500,693,422,843***	***667,160,742,907***
141	1. Inventories		515,254,545,301	679,413,290,724
149	2. Provision for obsolete inventory		(14,561,122,458)	(12,252,547,817)
150	***V. Other current assets***		***44,821,920,759***	***47,574,914,303***
151	1. Short-term prepaid expenses		2,353,548,270	2,889,273,457
152	2. Value-added tax deductible		1,553,161,043	10,761,073,390
154	3. Tax receivables from the State		4,686,525,263	561,526,727
158	4. Other current assets	8	36,228,686,183	33,363,040,729
200	**B. NON-CURRENT ASSETS**		**3,451,729,430,564**	**2,816,966,835,190**
220	***I. Fixed assets***		***42,190,125,110***	***34,863,858,666***
221	1. Tangible fixed assets	9	22,411,779,633	14,240,914,026
222	Cost		54,897,844,177	43,341,716,815
223	Accumulated depreciation		(32,486,064,544)	(29,100,802,789)
227	2. Intangible fixed assets	10	16,634,747,541	12,535,669,480
228	Cost		22,689,345,521	16,101,052,162
229	Accumulated amortisation		(6,054,597,980)	(3,565,382,682)
230	3. Construction in progress	11	3,143,597,936	8,087,275,160
240	***II. Investment properties***	***12***	***741,232,430,884***	***795,530,955,521***
241	1. Cost		1,012,898,213,379	1,012,898,213,379
242	2. Accumulated depreciation		(271,665,782,495)	(217,367,257,858)
250	***III. Long-term investments***	***13***	***2,646,248,037,490***	***1,975,107,789,267***
252	1. Investments in joint ventures and associates		1,248,240,496,932	1,163,232,776,682
258	2. Other long-term investments		1,473,482,202,307	811,875,012,585
259	3. Provision for long-term investments		(75,474,661,749)	-
260	***IV. Other long-term assets***		***22,058,837,080***	***11,464,231,736***
261	1. Long-term prepaid expenses		123,255,223	244,196,520
262	2. Deferred tax assets	23.2	18,339,066,092	7,804,703,476
268	3. Other long-term assets		3,596,515,765	3,415,331,740
270	**TOTAL ASSETS**		**6,574,440,598,182**	**5,297,324,658,087**

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2012

VND

Code	*RESOURCES*	*Notes*	*31 December 2012*	*31 December 2011*
300	**A. LIABILITIES**		**2,358,487,950,759**	**1,430,625,884,859**
310	***I. Current liabilities***		***1,571,902,412,361***	***1,248,324,417,467***
311	1. Short-term loans	14	83,196,052,715	151,637,346,474
312	2. Trade payables		170,675,957,212	143,685,377,779
313	3. Advances from customers		727,130,917,665	451,409,872,238
314	4. Statutory obligations	15	27,565,557,458	54,718,462,253
315	5. Payables to employees		2,971,463,128	3,222,334,269
316	6. Accrued expenses	16	16,829,774,913	19,410,129,968
318	7. Construction contract payables based on agreed progress billings		9,326,395,189	19,825,717,960
319	8. Other payables	17	512,348,660,199	394,407,743,608
320	9. Short-term provision		20,476,553,173	8,717,965,913
323	10. Bonus and welfare fund		1,381,080,709	1,289,467,005
330	***II. Non-current liabilities***		***786,585,538,398***	***182,301,467,392***
333	1. Other long-term liabilities	18	96,185,831,348	83,144,955,992
334	2. Long-term loans	19	690,257,815,300	99,015,605,150
338	3. Unearned revenues		141,891,750	140,906,250
400	**B. OWNERS' EQUITY**	**20**	**4,215,710,458,833**	**3,866,430,930,573**
410	***I. Capital***		***4,215,710,458,833***	***3,866,430,930,573***
411	1. Share capital		2,446,433,850,000	2,446,433,850,000
412	2. Share premium		774,390,058,786	747,938,947,150
414	3. Treasury shares		(788,258,632)	(57,837,146,996)
416	4. Foreign exchange difference reserves		436,153,470	978,090,431
417	5. Investment and development fund		70,417,784,211	70,417,784,211
418	6. Financial reserve fund		98,766,347,977	75,185,241,393
420	7. Retained earnings		826,054,523,021	583,314,164,384
439	**C. MINORITY INTEREST**		**242,188,590**	**267,842,655**
440	**TOTAL LIABILITIES AND OWNERS' EQUITY**		**6,574,440,598,182**	**5,297,324,658,087**

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2012

OFF BALANCE SHEET ITEM

ITEM	*31 December 2012*	*31 December 2011*
Foreign currencies:		
- USD	8,401,235	870,822
- EUR	30,686	27,299
- SGD	8,442	5,225
- JPY	27,806,695	320,393

CÔNG TY CỔ PHẦN CƠ ĐIỆN LẠNH

Pham Thi Uyen Phuong Preparer	Ho Tran Dieu Lynh Chief Accountant	Nguyen Thi Mai Thanh General Director

10 March 2013

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2012

VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
01	**1. Revenues from sale of goods and rendering of services**	**21.1**	**2,397,215,548,830**	**1,810,596,366,473**
02	**2. Deductions**	**21.1**	**(1,595,990,370)**	**(157,186,618)**
10	**3. Net revenues from sale of goods and rendering of services**	**21.1**	**2,395,619,558,460**	**1,810,439,179,855**
11	**4. Costs of goods sold and services rendered**		**(1,810,410,115,283)**	**(1,269,409,092,092)**
20	**5. Gross profit from sale of goods and rendering of services**		**585,209,443,177**	**541,030,087,763**
21	**6. Finance income**	**21.2**	**513,712,166,189**	**345,866,297,764**
22	**7. Finance expenses**	**22**	**(163,147,694,098)**	**(143,429,096,947)**
23	*In which: Interest expense*		*(37,795,041,953)*	*(71,276,322,522)*
24	**8. Selling expenses**		**(51,777,004,665)**	**(57,380,329,497)**
25	**9. General and administrative expenses**		**(135,275,795,302)**	**(98,790,815,129)**
30	**10. Operating profit**		**748,721,115,301**	**587,296,143,954**
31	**11. Other income**		**4,675,853,069**	**6,541,381,030**
32	**12. Other expenses**		**(1,272,530,890)**	**(761,300)**
40	**13. Other profit**		**3,403,322,179**	**6,540,619,730**
45	**14. Share of profit of associates**	**13.2**	**44,600,329,131**	**37,994,727,003**
50	**15. Profit before tax**		**796,724,766,611**	**631,831,490,687**
51	**16. Current corporate income tax expense**	**23.1**	**(150,417,278,938)**	**(115,956,624,382)**
52	**17. Deferred income tax (expense) benefit**	**23.2**	**10,534,362,616**	**(3,063,674,035)**

CONSOLIDATED INCOME STATEMENT (continued)
for the year ended 31 December 2012

VND

Code	ITEMS	Notes	Current year	Previous year
60	**18. Net profit after tax**		**656,841,850,289**	**512,811,192,270**
	Attributable to:			
	18.1 Non-controlling interest		*21,137,379*	*(824,791,268)*
	18.2 The Company's shareholders		*656,820,712,910*	*513,635,983,538*
70	**19. Earnings per share**			
	Basic	*29*	*2,704*	*2,464*
	Diluted	*29*	*2,698*	*2,464*

CÔNG TY CỔ PHẦN CƠ ĐIỆN LẠNH

Pham Thi Uyen Phuong
Preparer

Ho Tran Dieu Lynh
Chief Accountant

Nguyen Thi Mai Thanh
General Director

10 March 2013

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2012

VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	**Profit before tax**		**796,724,766,611**	**631,831,490,687**
	Adjustments for:			
02	Depreciation and amortisation	9, 10, 12	61,124,429,039	40,645,772,311
03	Provisions		95,357,384,547	59,220,519,515
04	Unrealised exchange (gain) losses		(355,814,185)	2,396,385,077
05	Gains from investing activities		(494,977,097,325)	(360,679,936,486)
06	Interest expense	22	37,795,041,953	71,276,322,522
08	**Operating income before changes in working capital**		**495,668,710,640**	**444,690,553,626**
09	Increase in receivables		(338,994,330,921)	(13,813,863,364)
10	Decrease (increase) in inventories		164,158,745,423	(100,574,427,266)
11	Increase (decrease) in payables		399,048,434,865	(3,245,010,841)
12	Increase in prepaid expenses		(656,666,484)	(504,328,997)
13	Interest paid		(37,988,110,508)	(94,327,946,414)
14	Corporate income tax paid	23.1	(186,577,026,532)	(130,552,163,940)
15	Other cash inflows from operating activities		25,282,618,842	20,301,075,123
16	Other cash outflows from operating activities		(14,094,087,288)	(7,521,338,208)
20	**Net cash flows from operating activities**		**505,848,288,037**	**114,452,549,719**
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets		(28,808,803,319)	(210,211,600,397)
22	Proceeds from disposals of fixed assets		81,211,844	59,090,909
25	Payments for purchase of shares in subsidiaries, other entities and investment in term deposits		(1,558,417,474,613)	(1,363,981,284,304)
26	Proceeds from divestments in other entities and investments in term deposits		1,072,729,946,823	852,136,675,856
27	Interest and dividends received		185,878,607,944	211,553,501,604
30	**Net cash flows used in investing activities**		**(328,536,511,321)**	**(510,443,616,332)**

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2012

VND

Code	*ITEMS*	*Notes*	*Current year*	*Previous year*
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Re-issuance of treasury shares		83,500,000,000	-
32	Buy back of treasury shares		-	(57,794,112,626)
33	Drawdown of borrowings		1,067,097,869,042	686,915,963,962
34	Repayment of borrowings		(544,279,114,662)	(678,720,190,674)
36	Dividends paid		(375,769,139,274)	(300,076,724,397)
40	**Net cash flows from (used in) financing activities**		**230,549,615,106**	**(349,675,063,735)**
50	**Net increase (decrease) in cash and cash equivalents**		**407,861,391,822**	**(745,666,130,348)**
60	**Cash and cash equivalents at beginning of the year**		**427,326,473,974**	**1,171,788,845,991**
61	**Impact of exchange rate fluctuation**		**(480,064,806)**	**1,203,758,331**
70	**Cash and cash equivalents at end of the year**	**4**	**834,707,800,990**	**427,326,473,974**

Pham Thi Uyen Phuong
Preparer

Ho Tran Dieu Lynh
Chief Accountant

Nguyen Thi Mai Thanh
General Director

10 March 2013

1. CORPORATE INFORMATION

Refrigeration Electrical Engineering Corporation ("the Company") is a joint stock company established in Vietnam in accordance with Business Registration No. 1506/GP-UB issued on 25 December 1993 by the People's Committee of Ho Chi Minh City and the Business Registration No.0300741143 issued by Department of Planning and Investment of Ho Chi Minh City with the latest amendment on 25 June 2011. Shares of the Company are listed on the Ho Chi Minh City Stock Exchange in accordance with License No.01/GPPH issued by the State Securities Commission on 2 June 2000.

The Group comprises the Company ("the Parent Company"), seven subsidiaries, ten associates and a joint venture as disclosed in Note 13 to the consolidated financial statements.

The principal activities of the Company and its subsidiaries ("the Group") are mechanical and electrical engineering services (M&E), manufacturing, assembling and sales of air-conditioner systems, real estate development and management, and strategic financial investments in infrastructure related sectors.

The Company's head office is located at 364 Cong Hoa Street, Ward 13, Tan Binh District, Ho Chi Minh City, Vietnam.

The number of the Group's employees as at 31 December 2012 was 1,287 (31 December 2011: 1,223).

2. BASIS OF PREPARATION

2.1 *Accounting standards and system*

The consolidated financial statements of the Company and its subsidiaries ("the Group"), expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards 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 Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated balance sheet, consolidated income statement, consolidated 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 consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 *Applied accounting documentation system*

The Group's applied accounting documentation system is the voucher journal system.

2. BASIS OF PREPARATION (continued)

2.3 Fiscal year

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

2.4 Accounting currency

The consolidated financial statements are prepared in VND which is also the Group's accounting currency .

2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at the balance sheet date.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses result from intra-company transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and in the consolidated balance sheet, separately from parent shareholders' equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Changes in accounting policies and disclosures

For the year ended 31 December 2012, the Group adopts Circular 179/2012/TT-BTC providing guidance on recognition, measurement, treatment for foreign exchange differences issued by the Ministry of Finance on 24 October 2012 ("Circular 179") in addition to Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates (the "VAS 10") adopted in prior years.

Following Circular 179, at the end of the year, monetary assets and liabilities denominated in foreign currencies are translated into VND/US$ using buying exchange rate announced by the commercial bank where the Company maintains bank accounts. In 2011, inter-bank exchange rates ruling at the balance sheet date was used for this translation.

Circular 179 is applied from 2012 on a prospective basis. Impact of the change from using inter-bank exchange rate to buying exchange rate announced by the commercial bank for the year end translation to the financial statements as at and for the year ended 31 December 2012 is not material as a whole.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 change in value.

3.3 Inventories

Inventories are stated at the lower of cost which comprises all costs of purchase and other direct costs 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.

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

Raw materials, consumables and goods for resale	- cost of purchase on a first-in, first-out basis.
Finished goods and work-in-process	- cost of direct materials and labour plus attributable overheads based on the normal level of activities on a first-in, first-out basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Group, 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 consolidated income statement.

3.4 Receivables

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

The provision for doubtful debts represents amount of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated 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 tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 *Leased assets*

Where the Group is the lessor

Assets subject to operating leases are included as the Group's fixed assets in the consolidated balance sheet. Initial direct costs incurred in negotiating an operating lease are recognised in the consolidated income statement as incurred.

Lease income is recognised in the consolidated income statement on a straight-line basis over the lease term.

Where the Group is the lessee

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

3.7 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

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

Land use rights

The land use rights represents the cost to acquire the right to use land and is amortised over the remaining useful life of the land of 36 years and three months starting from August 2007.

3.8 *Depreciation and amortisation*

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

Buildings & structures	5 - 50 years
Plant & machinery	7 years
Motor vehicles	6 years
Office equipment	3 - 5 years
Land use rights	36 years
Software	1 - 3 years
Others	4 years

The useful life of the fixed assets and depreciation rates are reviewed periodically to ensure that the method and the period of the depreciation and amortisation are consistent with the expected pattern of economic benefits that will be derived from the use of fixed assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Investment properties

Investment properties are buildings or part of a building or both and infrastructure held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services; administration purposes or sale in the ordinary course of business.

Investment properties are stated at cost including transaction costs less accumulated depreciation.

Subsequent expenditure relating to an investment property that has already been recognized is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Group.

Depreciation of investment properties is calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings & structures	5 - 50 years
Machinery & equipment	5 - 10 years
Office equipment	3 - 6 years
Others	2 years

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

3.10 Borrowing costs

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

Borrowing costs that are directly attributable to the construction or production of any qualified assets are capitalised during the year of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the consolidated income statement when incurred.

3.11 Business combination and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. Goodwill is amortised within ten year period from acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 *Investment in associates*

Investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associates. Goodwill relating to the associates is included in the carrying amount of the investments and is amortized within ten year period. The consolidated income statement reflects the Group's share of the results of operations of the associate.

The share of post-acquisition profit (loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

The financial statements of the associates are prepared for the same accounting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3.13 *Investment in joint ventures*

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity which is subject to joint control. Investments in joint ventures are accounted for using the equity method of accounting.

3.14 *Investment in securities and other investments*

Investments in securities and other investments are stated at their acquisition costs. Provision is made for any diminution in value of the marketable investments at the balance sheet date representing the excess of the acquisition cost over the market value at that date in accordance with the guidance under Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009 and prudence concept of accounting. Increases and decreases to the provision balance are recorded as finance expense in the consolidated income statement.

3.15 *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 Group.

3.16 *Foreign currency transactions*

The Group follows the guidance under VAS 10 in relation to foreign currency transactions as applied consistently in prior years. In addition to VAS 10, starting from 2012, the Group adopts Circular 179 in relation to foreign currency transaction with impact presented in Note 3.1.

Transactions in currencies other than the Group's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of year, monetary assets and liabilities denominated in foreign currencies are retranslated at exchange rates announced by the commercial bank where the Group maintains bank accounts at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the consolidated income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 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 Group's own equity instruments.

3.18 Appropriation of net profit

Net profit after tax is available for appropriation to investors/shareholders after approval by the appropriate level of authority in the annual general meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Group maintains the following reserve funds which are appropriated from the Group'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 Group'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.

- Investment and development fund

  This fund is set aside for use in the Group's expansion of its operation or in-depth investments.

- 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. In accordance with the Circular No. 244/2009/TT-BTC on 26 November 2009, the fund was reclassified to liability account in the consolidated balance sheet.

3.19 Revenue recognition

Revenue is recognised in the consolidated income statement when it is probable that the economic benefits will flow to the Group 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 from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually upon the delivery of the goods.

Rendering of services

Revenue is recognised when services have been rendered.

Revenue from supply and installation contracts

Where the outcome of a construction contract can be estimated reliably and certified by customers, revenue and costs are recognised by reference to the amount of work completed at the balance sheet date. Variations in contract work and claims are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are probable will be recoverable. Contract costs are recognised as expenses in the year in which they are incurred.

Difference between the cumulative revenue of a construction contract recognised to date and the cumulative amount of progress billings of that contract was presented as construction contract receivable based on agreed progress billings in the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Revenue recognition (continued)

Office rental income

Rental income arising from operating leases is accounted for on a straight line basis over the term of the lease.

Revenue from Business Co-operation Contract ("BCC")

Revenue is recognised when the BCC declares the profit available to parties.

Investment gains

Gains from investments are recognised as income when the investment is sold.

Interest income

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

Dividends

Income is recognised when the Group's entitlement as an investor to receive the dividend is established.

Bonus shares or stock dividends

Income is not recognised when the Group is entitled as an investor to receive bonus shares or stock dividends. However, the number of shares received as bonus or dividends is disclosed on the relevant note to the consolidated financial statements.

3.20 Earnings per share

Basic earnings per share amount is computed by dividing net profit for the year attributable to ordinary equity holders of the Company before any appropriation of bonus and welfare fund 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 bonds) 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.

3.21 Taxation

Current income tax

Current income tax assets and liabilities for the current period and previous year 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 consolidated income statement, except when it relates to items recognised directly to equity, in which case the 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 Group to set off current tax assets against current tax liabilities and when the Group intends to settle its current tax assets and liabilities on a net basis.

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 purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 *Taxation* (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss;
- and in respect of taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profits will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except :

- where 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; and
- in respect of deductible temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxable entity and the same taxation authority.

3.22 *Financial instruments*

Financial instruments – initial recognition and presentation

Financial assets

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

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

The Group's financial assets include cash and short-term deposits, trade and other receivables, loan receivables, quoted and unquoted financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 *Financial instruments* (continued)

Financial liabilities

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

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

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

Financial instruments – subsequent 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 consolidated 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
	31 December 2012	*31 December 2011*
Cash on hand	538,745,990	678,468,406
Cash at banks	213,805,507,024	68,882,734,656
Cash equivalents	596,540,089,348	357,765,270,912
Cash in transit	23,823,458,628	-
TOTAL	**834,707,800,990**	**427,326,473,974**

Cash equivalents mainly represent short-term bank deposits with maturity of less than three months which are readily convertible into known amounts of cash without any significant risk of changes in value, and earn an average interest rate at 9% p.a.

5. ADVANCES TO SUPPLIERS

		VND
	31 December 2012	*31 December 2011*
Amount due from third parties	92,348,071,294	82,645,459,464
Amount due from related parties *(Note 26)*	12,295,576,785	13,129,818,317
TOTAL	**104,643,648,079**	**95,775,277,781**

6. OTHER RECEIVABLES

	31 December 2012	VND 31 December 2011
Other amount due from a related party (*Note 26*)	9,225,474,000	5,000,000,000
Interest income and dividends receivables	8,410,434,043	2,407,005,998
Advances to BCC 414 No Trang Long *(i)*	7,589,054,747	6,889,054,747
Advances to BCC 11 Doan Van Bo *(ii)*	4,400,000,000	-
Others	11,203,129,883	7,712,654,329
TOTAL	**40,828,092,673**	**22,008,715,074**

(i) On 25 March 2008, R.E.E Land Corporation, a subsidiary of the Company, entered into a business cooperation contract ("BCC") with Bach Tuyet Paint Joint Stock Company to build and operate a building at 414 No Trang Long street, Ward 13, Binh Thanh District, Ho Chi Minh City. In accordance with this BCC, R.E.E Land Corporation paid consultant fee, land compensation and other costs aggregating to VND 7,589,054,747. However, as at the balance sheet date, this BCC is still waiting for the approval from People's Committee of Ho Chi Minh City.

(ii) On 11 October 2012, R.E.E Land Corporation, a subsidiary of the Company, entered into a business cooperation contract ("BCC") with FRIENDCO Company to develop, operate and manage a building at 11 Doan Van Bo street, Ward 12, District 4, Ho Chi Minh City. In accordance with this BCC, R.E.E Land Corporation paid consultant fee, land compensation and other costs aggregating to VND 4,400,000,000. However, as at the balance sheet date, this BCC is still waiting for the approval from People's Committee of Ho Chi Minh City.

7. INVENTORIES

	31 December 2012	VND 31 December 2011
Finished goods	112,704,480,805	139,764,701,117
Work in process	240,604,146,820	369,020,850,404
Raw materials	147,477,242,941	152,366,423,844
Goods in transit	14,341,942,987	17,952,370,544
Tools and supplies	126,731,748	308,944,815
TOTAL	**515,254,545,301**	**679,413,290,724**
Provision for inventory obsolescence	(14,561,122,458)	(12,252,547,817)
NET	**500,693,422,843**	**667,160,742,907**

8. OTHER CURRENT ASSETS

	31 December 2012	VND 31 December 2011
Advances for land compensation	29,403,340,900	28,458,805,700
Advances to employees	5,622,745,283	3,684,895,029
Deposits *(*)*	1,202,600,000	1,219,340,000
TOTAL	**36,228,686,183**	**33,363,040,729**

(*) Deposits mainly represent deposits for letters of credits.

9. TANGIBLE FIXED ASSETS

VND

	Buildings & structures	*Plant & machinery*	*Motor vehicles*	*Office equipment*	*Others*	*Total*
Cost:						
As at 1 January 2012	16,450,174,010	8,744,009,323	8,075,158,397	9,495,905,085	576,470,000	43,341,716,815
Additions	-	1,674,721,332	7,181,178,092	3,738,342,053	-	12,594,241,477
Reclassification	-	(214,124,278)	(14,179,500)	17,676,728	-	(210,627,050)
Disposal	-	(16,970,442)	-	(810,516,623)	-	(827,487,065)
As at 31 December 2012	16,450,174,010	10,187,635,935	15,242,156,989	12,441,407,243	576,470,000	54,897,844,177
In which:						
Fully depreciated	*3,605,254,100*	*1,944,424,710*	*2,589,334,755*	*3,322,449,399*	*576,470,000*	*12,037,932,964*
Accumulated depreciation:						
As at 1 January 2012	9,652,265,473	5,704,141,705	5,898,726,093	7,269,199,518	576,470,000	29,100,802,789
Charges for the year	660,089,885	1,047,029,863	1,151,811,162	1,475,487,951	-	4,334,418,861
Reclassification	-	(2,647,909)	(389,956)	(135,602,618)	-	(138,640,483)
Disposal	-	-	-	(810,516,623)	-	(810,516,623)
As at 31 December 2012	10,312,355,358	6,748,523,659	7,050,147,299	7,798,568,228	576,470,000	32,486,064,544
Net carrying amount:						
As at 1 January 2012	6,797,908,537	3,039,867,618	2,176,432,304	2,226,705,567	-	14,240,914,026
As at 31 December 2012	6,137,818,652	3,439,112,276	8,192,009,690	4,642,839,015	-	22,411,779,633

10. INTANGIBLE FIXED ASSETS

	Land use rights	*Software*	*VND Total*
Cost:			
As at 1 January 2012	11,592,038,449	4,509,013,713	16,101,052,162
Additions	-	6,602,647,285	6,602,647,285
Written-off	-	(14,353,926)	(14,353,926)
As at 31 December 2012	11,592,038,449	11,097,307,072	22,689,345,521
Accumulated amortisation:			
As at 1 January 2012	1,273,071,114	2,292,311,568	3,565,382,682
Charges for the year	289,224,713	2,214,344,511	2,503,569,224
Written-off	-	(14,353,926)	(14,353,926)
As at 31 December 2012	1,562,295,827	4,492,302,153	6,054,597,980
Net carrying amount:			
As at 1 January 2012	10,318,967,335	2,216,702,145	12,535,669,480
As at 31 December 2012	10,029,742,622	6,605,004,919	16,634,747,541

11. CONSTRUCTION IN PROGRESS

	31 December 2012	*VND 31 December 2011*
Enterprise Resource Planning Project	182,989,208	5,741,039,792
Others	2,960,608,728	2,346,235,368
TOTAL	**3,143,597,936**	**8,087,275,160**

Enterprise Resource Planning system represents the accumulated implementation and training costs incurred to the balance sheet date.

12. INVESTMENT PROPERTIES

VND

	Buildings & structures	*Machinery & equipment*	*Office equipment*	*Others*	*Total*
Cost:					
As at 1 January 2012 and 31 December 2012	774,201,284,293	237,915,983,788	215,692,297	565,253,001	1,012,898,213,379
In which:					
Fully depreciated	*3,934,869,048*	*19,852,886,746*	*215,692,297*	*565,253,001*	*24,568,701,092*
Collateral (Note 19)	*9,437,896,861*	-	-	-	*9,437,896,861*
Accumulated depreciation:					
As at 1 January 2012	147,513,016,724	69,073,295,836	215,692,297	565,253,001	217,367,257,858
Charges for the year	32,548,151,070	21,750,373,567	-	-	54,298,524,637
As at 31 December 2012	180,061,167,794	90,823,669,403	215,692,297	565,253,001	271,665,782,495
Net carrying amount:					
As at 1 January 2012	626,688,267,569	168,842,687,952	-	-	795,530,955,521
As at 31 December 2012	594,140,116,499	147,092,314,385	-	-	741,232,430,884

The fair value of the investment properties was not formally assessed and determined as at 31 December 2012. However, given the present high occupancy rate of these properties, it is management's assessment that these properties' market values are much higher than their carrying value as at the balance sheet date.

13. INVESTMENTS

	31 December 2012	31 December 2011
		VND
Short-term investments		
Marketable equity securities *(Note 13.1)*	209,207,565,590	871,491,085,074
Term deposit	463,382,000,000	123,584,000,000
Trust investments	57,647,777,261	55,301,120,016
Other short-term investment (*)	241,025,730,000	-
Provision for diminution in value of equity securities	(87,749,773,260)	(276,870,391,352)
Net value of short-term investments	**883,513,299,591**	**773,505,813,738**
Long-term investments		
Investments in associates and joint venture *(Note 13.2)*	1,248,240,496,932	1,163,232,776,682
Other long-term equity investments *(Note 13.4)*	1,473,482,202,307	811,875,012,585
Provision for diminution in value of long-term investments	(75,474,661,749)	-
Net value of long-term investments	**2,646,248,037,490**	**1,975,107,789,267**
TOTAL	**3,529,761,337,081**	**2,748,613,603,005**

(*) Other short-term investment represents the 9-month term deposit with EVN Finance Joint Stock Company with interest rate at 9% p.a.

13.1 *Investments in marketable equity securities*

Securities	*31 December 2012*		*31 December 2011*	
	Quantity (shares)	*Amount (VND)*	*Quantity (shares)*	*Amount (VND)*
Ut Xi Aquatic Products Processing Joint Stock Company	1,491,176	60,411,760,000	1,491,176	60,411,760,000
Cuu Long PetroGas Transportation Joint Stock Company	1,211,250	11,817,073,170	1,281,250	12,500,000,000
Saigon Postel Corp	1,078,845	48,000,000,000	1,078,845	48,000,000,000
Ree Power Joint Stock Company	781,599	7,815,990,000	781,599	7,815,990,000
Mang Canh Joint Stock Company	500,000	5,000,000,000	500,000	5,000,000,000
Asia Commercial Bank	41	2,354,277	5,322,141	308,127,669,234
Saigon Thuong Tin Commercial Joint Stock Bank	-	-	42,139,266	416,438,089,215
Others	5,576,673	76,160,388,143	789,215	13,197,576,625
TOTAL	**10,639,584**	**209,207,565,590**	**53,383,492**	**871,491,085,074**

13. INVESTMENTS (continued)

13.2 *Investments in associates and joint venture*

	31 December 2012		31 December 2011		
Name	*% Interest*	*Carrying value of investments*	*% Interest*	*Carrying value of investments*	*Business*
		VND		*VND*	
Associates					
Thu Duc Water B.O.O Corporation	42.10	399,092,098,331	42.10	383,805,399,145	Water supply
Thac Mo Hydropower Joint-Stock Company	35.48	331,156,851,503	35.48	303,795,468,920	Power
Thac Ba Hydropower Joint-Stock Company	23.97	230,762,992,238	23.97	228,031,223,374	Power
Vietnam Infrastructure and Real Estate Joint Stock Company	46.37	126,420,735,337	39.22	110,829,088,663	Real estate
Ninh Binh Thermal Electricity Joint Stock Company	29.44	67,747,029,719	24.32	56,862,145,882	Power
Saigon Real Estate Joint Stock Company	27.96	46,857,175,643	22.78	45,171,258,562	Real estate
Saigon Water Investment and Trading Joint Stock Company	30.00	19,042,624,413	30.00	18,823,354,232	Water supply
Doan Nhat Mechanical Electrical Joint Stock Company	35.00	22,386,592,012	35.00	11,550,000,000	Mechanical and Engineering
Quality Mechanical Electrical Joint Stock Company	35.62	2,408,139,991	35.62	1,068,612,000	Mechanical and Engineering
Hop Phat Mechanical Electrical Joint Stock Company	35.00	1,994,088,317	35.00	1,750,000,000	Mechanical and Engineering
Minh Thanh Mechanical Electrical Joint Stock Company	-	-	35.00	1,050,000,000	Mechanical and Engineering
TOTAL ASSOCIATES		**1,247,868,327,504**		**1,162,736,550,778**	
Joint venture					
Building at 41B Ly Thai To, Ha Noi	40.00	372,169,428	40.00	496,225,904	Real estate
TOTAL		**1,248,240,496,932**		**1,163,232,776,682**	

13. INVESTMENT (continued)

13.2 *Investments in associates and joint venture* (continued)

Details of these investments in associates which were consolidated by applying equity method are presented as follows:

VND

	Thac Ba Hydropower Joint-Stock Company	*Thu Duc Water B.O.O Corporation*	*Saigon Real Estate Joint Stock Company*	*Vietnam Infrastructure and Real Estate Joint Stock Company*	*Thac Mo Hydropower Joint-Stock Company*	*Ninh Binh Thermal Power Joint-Stock Company*	*Saigon Water Investment and Trading Joint Stock Company*	*Others*	*Total*
Cost of investment									
As at 1 January 2012	223,379,420,325	385,501,820,000	27,229,230,000	109,825,000,000	274,057,456,308	56,862,145,882	18,000,000,000	15,418,612,000	1,110,273,684,515
Additions	-	-	12,527,372,000	20,100,000,000	-	9,496,003,393	-	-	42,123,375,393
Disposal	-	-	-	-	-	-	-	(1,050,000,000)	(1,050,000,000)
As at 31 December 2012	223,379,420,325	385,501,820,000	39,756,602,000	129,925,000,000	274,057,456,308	66,358,149,275	18,000,000,000	14,368,612,000	1,151,347,059,908
Accumulated share in post-acquisition profit (loss) of the associates									
As at 1 January 2012	4,651,803,049	(2,238,348,653)	17,942,028,562	1,004,088,663	29,738,012,612	-	823,354,232	-	51,920,938,465
Share in profit (loss) associates for the year	2,731,768,864	15,828,626,984	(10,841,454,919)	(4,508,353,326)	27,361,382,583	1,388,880,444	219,270,181	12,420,208,320	44,600,329,131
As at 31 December 2012	7,383,571,913	13,590,278,331	7,100,573,643	(3,504,264,663)	57,099,395,195	1,388,880,444	1,042,624,413	12,420,208,320	96,521,267,596
Share in equity transactions not included in associates' income statements									
As at 1 January 2012	-	541,927,798	-	-	-	-	-	-	541,927,798
Share in the foreign exchange difference fund for the year	-	(541,927,798)	-	-	-	-	-	-	(541,927,798)
As at 1 January 2012 and 31 December 2012	-	-	-	-	-	-	-	-	-
Carrying amount									
As at 1 January 2012	228,031,223,374	383,805,399,145	45,171,258,562	110,829,088,663	303,795,468,920	56,862,145,882	18,823,354,232	15,418,612,000	1,162,736,550,778
As at 31 December 2012	230,762,992,238	399,092,098,331	46,857,175,643	126,420,735,337	331,156,851,503	67,747,029,719	19,042,624,413	26,788,820,320	1,247,868,327,504

13. INVESTMENTS (continued)

13.3 *Investments in subsidiaries*

Name of subsidiaries	*% Interest*	*Location*	*Business*
R.E.E Real Estate Co., Ltd.	100.00	Ho Chi Minh City – Vietnam	Building management
Trans Orient Pte Ltd.	100.00	Singapore	Trading and logistics
R.E.E Mechanical and Engineering Joint Stock Company	99.99	Ho Chi Minh City – Vietnam	Mechanical and Engineering
R.E.E Electric Appliances Joint Stock Company	99.99	Ho Chi Minh City – Vietnam	Electric Appliances
Eastrade International Ltd.	99.99	British Virgin Islands	Trading and logistics
R.E.E Land Corporation	99.90	Ho Chi Minh City – Vietnam	Real estate
Vinh Thinh Corporation	99.96	Ho Chi Minh City – Vietnam	Electric Appliances

13.4 *Other long-term equity investments*

Securities	*31 December 2012*		*31 December 2011*	
	Quantity (shares)	*Amount (VND)*	*Quantity (shares)*	*Amount (VND)*
Quang Ninh Thermal Power Joint Stock Company	42,085,353	470,646,304,200	42,085,353	470,646,304,200
Sonadezi Chau Duc Shareholding Company	10,463,500	183,876,590,000	10,463,500	183,876,590,000
Others	66,470,212	818,959,308,107	19,537,370	157,352,118,385
TOTAL	**119,019,065**	**1,473,482,202,307**	**72,086,223**	**811,875,012,585**

14. SHORT-TERM LOANS

VND

	31 December 2012	*31 December 2011*
Short-term loans from banks *(i)*	54,607,868,015	142,418,966,474
Current portion of long-term loans *(Note 19)*	28,588,184,700	9,218,380,000
TOTAL	**83,196,052,715**	**151,637,346,474**

14. SHORT-TERM LOANS (continued)

(i) Details of the short-term loans to finance current working capital of the Group are as follows:

Lender	*Amount (VND)*	*Maturity date*	*Interest rate*	*Description of collateral*
Vietnam International Commercial Joint Stock Bank				
Loan 1 (US$)	3,454,522,085	20 April 13	3% p.a	Unsecured
HSBC Bank (Vietnam) Limited				
Loan 1 (VND)	15,695,340,804	27 January 13	10% p.a	Unsecured
Joint Stock Commercial Bank for Foreign Trade of Vietnam				
Loan 1 (VND)	12,139,871,666	15 May 13	10% p.a	Unsecured
Loan 2 (VND)	4,946,877,938	20 June 13	10% p.a	Unsecured
Loan 3 (VND)	5,891,724,822	30 September 2013	12.9% p.a	Unsecured
Loan 4 (US$)	1,024,898,477	30 September 2013	2.4% p.a	Unsecured
Loan 5 (US$)	10,085,347,423	8 May 13	5% p.a	Unsecured
Loan 6 (US$)	1,369,284,800	24 June 13	5% p.a	Unsecured
TOTAL	**54,607,868,015**			

15. STATUTORY OBLIGATIONS

		VND
	31 December 2012	*31 December 2011*
Corporate income tax *(Note 23.1)*	16,627,682,632	48,529,704,789
Value-added tax	7,749,854,210	5,654,257,082
Personal income tax	1,414,581,110	371,786,166
Import duties	851,038,932	-
Other fees and obligations	922,400,574	162,714,216
TOTAL	**27,565,557,458**	**54,718,462,253**

16. ACCRUED EXPENSES

		VND
	31 December 2012	*31 December 2011*
Promotions	10,632,542,890	12,318,623,533
Interests	3,000,867,486	49,740,554
Warranty	1,428,913,271	1,931,706,288
Performance bonus to employees	630,452,000	4,082,650,000
Others	1,136,999,266	1,027,409,593
TOTAL	**16,829,774,913**	**19,410,129,968**

17. OTHER PAYABLES

	31 December 2012	31 December 2011
		VND
Payables to purchase securities	269,064,029,376	2,868,124,744
Payables for supply and installation contracts	222,427,964,745	159,402,604,475
Dividend payables	7,871,294,256	197,646,256
Guarantee expenses	5,267,988,735	5,267,988,735
Interest expenses payables	3,500,000,000	6,644,195,487
Social & Health insurance and Trade Union	1,280,559,650	1,493,897,239
Deposits received from divestments	-	209,680,262,700
Deposits received from tenants	1,143,578,500	1,009,160,000
Others	1,793,244,937	7,843,863,972
TOTAL	**512,348,660,199**	**394,407,743,608**

18. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent mainly deposits received from tenants.

19. LONG-TERM LOANS

	31 December 2012	31 December 2011
		VND
Convertible bonds (*)	557,846,000,000	-
Long-term loans (**)	161,000,000,000	108,233,985,150
TOTAL	**718,846,000,000**	**108,233,985,150**
In which:		
Current portion (Note 14)	*28,588,184,700*	*9,218,380,000*
Non-current portion	*690,257,815,300*	*99,015,605,150*

(*) Convertible bonds:

In accordance with the Board Resolution No.10/2012/HĐQT-NQ-REE dated 14 November 2012 and the approval by State Securities Commission of Vietnam through its official letter No. 4963/UBCK-QLPH dated 7 December 2012, on 20 December 2012, the Company issued 557,846 3-year convertible bonds totaling VND 557,846,000,000 to Platinum Victory Pte. Ltd with interest at 6% per annum paid in arrears. The bonds will be automatically converted into shares when there is a room for foreign ownership in REE shares at conversion date. The conversion price is VND 22,000 per share which will be subject to conversion adjustments as set out in schedule of convertible bond subscription agreement.

19. LONG-TERM LOANS (continued)

(**) Details of the long-term loans are as follows:

VND

Facility No.	*31 December 2012*	*Maturity date*	*Interest rate*	*Description of collateral*
Joint Stock Commercial Bank for Foreign Trade of Vietnam				
HDTD 0003/DTDA/10CD (VND) *(i)*	88,000,000,000	1 June 2018	13.3% p.a	Unsecured
Commonwealth Bank of Australia – Ho Chi Minh City Branch				
HDTD500112036/FL-CBAVN (VND) *(ii)*	73,000,000,000	7 March 2017	8.75% p.a	Assets at 180 Pasteur, Ben Nghe Ward, District 1, HCMC
TOTAL	**161,000,000,000**			

(i) On 31 March 2010, the Company signed an agreement with Vietcombank for a VND 200 billion credit facility to finance the construction of the Ree Tower at 9 Doan Van Bo Street, District 4, HCMC. The term of the borrowing is 96 months from the date of the first draw down which was made on 1 June 2010. The loan will be repaid on a quarterly basis in accordance with the repayment schedule approved by Vietcombank to be issued after the grace period of 24 months expires from the first drawdown. The loan is unsecured but Vietcombank reserves the right to receive any insurance proceeds from the assets financed by this loan. The loan bears an interest rate equal to the 12-month deposit rate announced by Vietcombank plus 2.8% per annum for amounts drawn in Vietnamese Dong or at Vietcombank 12-month deposit rate plus 2.5% per annum for amounts drawn in United States dollar.

(ii) On 3 March 2012, the Company signed an agreement with Commonwealth Bank of Australia ("CBA") – Ho Chi Minh City Branch – for a VND 73 billion to finance the construction of the Ree Tower at 9 Doan Van Bo Street, District 4, HCMC. The term of the borrowing is 60 months from the date of the first draw down which was made on 7 March 2012. The loan will be repaid on a quarterly basis in accordance with the repayment schedule approved by CBA to be issued after the grace period of 12 months expires from the first drawdown. The loan is secured by assets at 180 Pasteur, Ben Nghe Ward, District 1, Ho Chi Minh City amounting to VND 9,437,896,861 (Note 12). The loan bears an interest rate equal to the 3-month deposit rate announced by CBA plus 2.5% per annum.

20. OWNERS' EQUITY

20.1 Increase and decrease in owners' equity

VND

	Issued share capital	*Share premium*	*Treasury shares*	*Investment and development fund*	*Financial reserve fund*	*Retained earnings*	*Foreign exchange difference reserves*	*Total*
For the year ended 31 December 2011								
As at 1 January 2011	1,862,932,890,000	521,021,907,150	(43,034,370)	70,417,784,211	58,217,917,960	387,045,598,348	378,534,427	2,899,971,597,726
New shares issued through convertible bonds	583,500,960,000	226,917,040,000	-	-	-	-	-	810,418,000,000
Buy back treasury shares	-	-	(57,794,112,626)	-	-	-	-	(57,794,112,626)
Profit for the year	-	-	-	-	-	513,635,983,538	-	513,635,983,538
Dividend paid	-	-	-	-	-	(298,064,867,200)	-	(298,064,867,200)
Foreign currency differences	-	-	-	-	-	-	599,556,004	599,556,004
Transfers to funds	-	-	-	-	16,967,323,433	(16,967,686,510)	-	(363,077)
Appropriation to bonus & welfare funds	-	-	-	-	-	(2,334,863,792)	-	(2,334,863,792)
As at 31 December 2011	2,446,433,850,000	747,938,947,150	(57,837,146,996)	70,417,784,211	75,185,241,393	583,314,164,384	978,090,431	3,866,430,930,573
For the year ended 31 December 2012								
As at 1 January 2012	2,446,433,850,000	747,938,947,150	(57,837,146,996)	70,417,784,211	75,185,241,393	583,314,164,384	978,090,431	3,866,430,930,573
Re-issuance of treasury shares	-	26,451,111,636	57,048,888,364	-	-	-	-	83,500,000,000
Profit for the year	-	-	-	-	-	656,820,712,910	-	656,820,712,910
Foreign currency differences	-	-	-	-	-	-	(541,936,961)	(541,936,961)
Declared dividends	-	-	-	-	-	(383,425,020,800)	-	(383,425,020,800)
Transfers to funds	-	-	-	-	23,581,106,584	(23,581,106,584)	-	-
Appropriation to bonus & welfare funds	-	-	-	-	-	(7,074,226,889)	-	(7,074,226,889)
As at 31 December 2012	2,446,433,850,000	774,390,058,786	(788,258,632)	70,417,784,211	98,766,347,977	826,054,523,021	436,153,470	4,215,710,458,833

20. OWNERS' EQUITY (continued)

20.1 *Increase and decrease in owners' equity* (continued)

Par value of the Company's shares is VND 10,000 per share. The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction.

20.2 *Share capital*

	Number of shares	*Par value VND*
As at 1 January 2011	186,293,289	1,862,932,890,000
New shares issued	58,350,096	583,500,960,000
As at 1 January 2012 and 31 December 2012	**244,643,385**	**2,446,433,850,000**

21. REVENUES

21.1 *Revenues from sale of goods and rendering of services*

		VND
	Current year	*Previous year*
Gross revenues	**2,397,215,548,830**	**1,810,596,366,473**
Of which:		
Supply & installation services	*1,674,332,920,633*	*855,180,798,935*
Sale of goods	*281,833,074,488*	*586,730,338,847*
Revenue from services (office leasing and related services)	*441,049,553,709*	*368,672,485,500*
Others	-	*12,743,191*
Less:	**(1,595,990,370)**	**(157,186,618)**
Sales returns	*(1,534,174,152)*	-
Special sales tax	*(61,816,218)*	*(157,186,618)*
NET REVENUES	**2,395,619,558,460**	**1,810,439,179,855**

21.2 *Finance income*

		VND
	Current year	*Previous year*
Gains from securities trading divestments	310,562,801,868	136,876,915,132
Interest income	99,825,206,242	97,635,583,564
Dividends income	91,955,628,925	103,011,988,621
Foreign exchange gains	11,360,989,835	8,328,946,951
Others	7,539,319	12,863,496
TOTAL	**513,712,166,189**	**345,866,297,764**

22. FINANCE EXPENSES

VND

	Current year	*Previous year*
Provision for the diminution in value of investments	62,560,568,449	47,489,285,051
Loss on securities trading	51,703,159,241	15,638,762,338
Interest expense	37,795,041,953	71,276,322,522
Foreign exchange losses	10,621,586,894	8,825,680,783
Others	467,337,561	199,046,253
TOTAL	**163,147,694,098**	**143,429,096,947**

23. CORPORATE INCOME TAX

The Company and its subsidiaries ("the Group"), except for Trans Orient Pte. Ltd and Eastrade International Ltd., has the obligation to pay corporate income tax ("CIT") at the rate of 25% of taxable profits earned from all operations.

Trans Orient Pte. Ltd, established in Singapore, has the obligation to pay CIT at the rate of 17% of taxable income. Trans Orient Pte. Ltd is entitled to 75% reduction on CIT for taxable income up to SGD 10,000 and 50% reduction on CIT for taxable income up to SGD 290,000.

Eastrade International Ltd was established in British Virgin Islands and is exempt from CIT in accordance with the BVI Business Companies Act.

The tax returns of the Group are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

23.1 Current corporate income tax

The current tax payable is based on taxable profit for the year. The taxable profit of the Group for the year differs from the profit as reported in the consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

23. CORPORATE INCOME TAX (continued)

23.1 Current corporate income tax (continued)

Summary of CIT computation is presented below:

	Current year	*VND* *Previous year*
Profit before tax	**796,724,766,611**	**631,831,490,687**
Adjustments to increase (decrease) accounting profit		
Permanent differences	***(208,809,212,966)***	***(160,186,436,089)***
Dividends income not subject to CIT	(91,767,086,548)	(102,579,988,621)
Cost of bonus shares and share dividends disposed in 2012(*)	(81,510,734,975)	-
Shared profit from associates	(44,600,329,131)	(37,994,727,003)
Share in net losses of RNG realised upon disposal	-	(25,099,384,774)
Negative goodwill	-	(861,097,071)
Taxable dividend income from Trans Orient Pte. Ltd.	1,242,548,846	3,992,340,290
Other non-deductible expenses	7,826,388,842	2,356,421,090
Temporary differences	***37,221,602,578***	***(12,253,078,306)***
Interest expenses on convertible bonds accrual last year and paid this year	-	(26,840,583,335)
Accrued interest expenses on convertible bonds	1,115,692,000	-
Movement of unrealised profit	(1,110,573,487)	3,904,049,849
Provision for inventory obsolescence	2,328,087,353	2,715,944,691
Accrued for operating expenses	8,471,259,980	12,718,739,976
Unbilled contract revenue	(67,411,252,880)	(37,183,805,956)
Cost of unbilled contract revenue	63,513,900,893	31,381,313,020
Provision for doubtful debts	30,506,426,994	1,726,132,081
Others	(191,938,275)	(674,868,632)
Adjusted net profit	**625,137,156,223**	**459,391,976,292**
Add back tax losses of subsidiaries	33,146,096	6,845,508,709
Estimated current taxable profit	**625,170,302,319**	**466,237,485,001**
Estimated current CIT	**156,215,138,571**	**116,363,638,200**
CIT incentive according to Decree No 60/2012/ND-CP	(115,681,875)	(86,517,668)
Dividend income from Trans Orient Pte. Ltd. had been taxed by Singapore Government	(111,222,503)	(333,280,000)
Cost of bonus shares and share dividends disposed during the period from 2008 to 2011(*)	(5,570,955,255)	-
Under accrual of CIT from previous year	-	12,783,850
Estimated current CIT expense	**150,417,278,938**	**115,956,624,382**

23. CORPORATE INCOME TAX (continued)

23.1 Current corporate income tax (continued)

		VND
	Current year	*Previous year*
CIT payable at beginning of the year	48,529,704,789	63,124,475,474
CIT paid during the year	(186,577,026,532)	(130,552,163,940)
Foreign exchange difference due to conversion of reporting currency	-	768,873
CIT payable at end of year	**12,369,957,195**	**48,529,704,789**
In which:		
CIT receivable at the end of the year	*4,257,725,437*	*-*
CIT payable at the end of the year	*16,627,682,632*	*48,529,704,789*

(*) In accordance with official letter No 1909/TCT-CS dated 5 June 2012 issued by General Tax Department, the Company was allowed to claim as deductible expenses the cost of disposed bonus shares and share dividends at par value of VND 10,000 per share.

23. CORPORATE INCOME TAX (CONTINUED)

23.2 Deferred CIT

The following are the deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and previous year.

VND

	Consolidated balance sheet		*(Expense) credit to consolidated income statement*	
	31 December 2012	*31 December 2011*	*Current year*	*Previous year*
Cost of unbilled contract revenue	52,556,099,363	38,078,506,368	14,477,592,995	7,845,328,255
Unbilled contract revenue	(57,691,914,956)	(40,839,101,736)	(16,852,813,220)	(9,295,951,489)
Provision for doubtful debts	8,446,718,993	586,632,517	7,860,086,476	431,533,020
Accrued operating expenses	7,905,329,061	4,386,631,839	3,518,697,222	3,179,684,995
Provision for inventories	3,556,879,133	2,974,857,295	582,021,838	678,986,172
Unrealised profit	1,690,924,999	2,301,531,969	(610,606,970)	976,012,462
Provision for investments	835,935,250	-	835,935,250	-
Unrealised exchange gain (loss)	648,112,343	315,148,745	332,963,598	(165,973,332)
Accrued interest expenses from convertible bonds	278,923,000	-	278,923,000	(6,710,145,834)
Others	112,058,906	496,479	111,562,427	(3,148,284)
Net deferred income tax assets	**18,339,066,092**	**7,804,703,476**		
Net deferred income tax credit (expenses)			**10,534,362,616**	**(3,063,674,035)**

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also hold available-for-sale investment.

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

Risk management is integral to the whole business of the Group. The Group has a system 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 Group'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 three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2012 and 31 December 2011.

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 2012 and 31 December 2011.

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 Group's exposure to market risk for changes in interest rate relates primarily to the Group's cash and short-term deposits and long-term debt obligations with floating interest rates.

The Group manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purposes within its risk management limits. The Group considers that the exposure to interest rate risks is insignificant.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of cash, short-term deposits, and long-term debt obligations with floating interest rates. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Interest rate sensitivity (continued)

	Increase/decrease in interest rate (%)	*VND* *Effect on profit before tax*
For the year ended 31 December 2012		
VND	+3%	15,022,048,921
US$	+1%	1,725,644,259
TOTAL		**16,747,693,180**
VND	-3%	(15,022,048,921)
US$	-1%	(1,725,644,259)
TOTAL		**(16,747,693,180)**
For the year ended 31 December 2011		
VND	+3%	8,333,082,815
US$	+1%	(311,297,584)
TOTAL		**8,021,785,231**
VND	-3%	(8,333,082,815)
US$	-1%	311,297,584
TOTAL		**(8,021,785,231)**

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 Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (certain expenses, incomes, loans of the Group are denominated in currencies other than the VND).

The Group manages its foreign currency exposure by considering the prevailing and expected market situation when it plans for future transactions denominated in foreign currencies. The Group's exposure to foreign currency changes is not material.

Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Group manages equity price risk by placing a limit on equity investments. The Group's Board of Directors reviews and approves all equity investment decisions.

As at 31 December 2012, the exposure to listed equity securities at fair value was VND 1,294,061,368,700 (31 December 2011: VND 865,000,440,054). A decrease of 10% on the price of the securities index could have an impact of approximately VND 129,406,136,870 (31 December 2011: VND 86,500,044,005) on the Group's profit before tax, depending on whether or not the decline is significant or prolonged. An increase of 10% in the value of the listed securities would increase Group's profit before tax by VND 129,406,136,870 (31 December 2011: VND 86,500,044,005).

24. 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 Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

Trade receivables

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

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

Bank deposits

The Group's bank balances are mainly maintained with well-known banks in Vietnam. 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 Notes 4 and 13. The Group evaluates the concentration of credit risk in respect to bank deposit is low.

Other financial instruments

The management evaluate all financial assets are neither past due nor impaired as they related to recognized and creditworthy counterparties except for the receivables which were past due and made provision of VND 72,818,008,692 as at 31 December 2012 (31 December 2011: VND 42,408,124,235).

Liquidity risk

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

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

	Less than 1 year	*From 1 to 5 years*	*More than 5 years*	*VND* *Total*
31 December 2012				
Loans and borrowings	83,196,052,715	44,411,815,300	88,000,000,000	215,607,868,015
Convertible bond	-	557,846,000,000	-	557,846,000,000
Trade payables	170,675,957,212	-	-	170,675,957,212
Other payables and accrued expenses	509,366,321,172	96,185,831,348	-	605,552,152,520
	763,238,331,099	**698,443,646,648**	**88,000,000,000**	**1,549,681,977,747**
31 December 2011				
Loans and borrowings	151,637,346,474	4,612,036,490	94,403,568,660	250,652,951,624
Trade payables	143,685,377,779	-	-	143,685,377,779
Other payables and accrued expenses	428,067,044,297	83,144,955,992	-	511,212,000,289
	723,389,768,550	**87,756,992,482**	**94,403,568,660**	**905,550,329,692**

The Group 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.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

VND

	Carrying amount				*Fair value*	
	31 December 2012		*31 December 2011*		*31 December 2012*	*31 December 2011*
	Cost	*Provision*	*Cost*	*Provision*		
Financial assets						
Listed shares	1,241,670,478,435	(9,511,409,009)	836,608,697,575	(192,637,209,534)	1,294,061,368,700	865,000,440,054
Unlisted shares	1,479,395,554,100	(153,713,026,000)	902,058,520,100	(84,233,181,818)	1,325,682,528,100	817,825,338,282
Short-term deposits	704,407,730,000	-	123,584,000,000	-	704,407,730,000	123,584,000,000
Trade receivables	496,528,157,576	(72,818,008,692)	320,930,086,539	(42,408,124,235)	423,710,148,884	278,521,962,304
Other receivables	40,828,092,673	-	22,008,715,074	-	40,828,092,673	22,008,715,074
Cash and cash equivalents	834,707,800,990	-	427,326,473,974	-	834,707,800,990	427,326,473,974
TOTAL	**4,797,537,813,774**	**(236,042,443,701)**	**2,632,516,493,262**	**(319,278,515,587)**	**4,623,397,669,347**	**2,534,266,929,688**

	Carrying amount		*Fair value*	
	31 December 2012	*31 December 2011*	*31 December 2012*	*31 December 2011*
Financial liabilities				
Loans and borrowings	215,607,868,015	250,652,951,624	215,607,868,015	250,652,951,624
Convertible bond	557,846,000,000	-	557,846,000,000	-
Trade payables	170,675,957,212	143,685,377,779	170,675,957,212	143,685,377,779
Other payables and accrued expenses	605,552,152,520	511,212,000,289	605,552,152,520	511,212,000,289
TOTAL	**1,549,681,977,747**	**905,550,329,692**	**1,549,681,977,747**	**905,550,329,692**

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The fair value of listed shares have been determined based on their closing price in the Ho Chi Minh Stock Exchange ("HOSE") or their average trading price in Hanoi Stock Exchange ("HNX") as at the balance sheet date.

Fair value of un-listed shares, which have active market, are the average price quoted by three independent securities companies as at the balance sheet date.

Except for items noted in preceding paragraphs the fair value of the financial assets and liabilities had not yet been formally assessed and determined as at 31 December 2012 and 31 December 2011. However, it is management's assessment that the fair values of these financial assets and liabilities are not materially different from their carrying value as at balance sheet date.

26. TRANSACTIONS WITH RELATED PARTIES

Related company transactions include all transactions undertaken with other companies to which the Group is related, either through the investor, investee relationship or because they share a common investor and thus are considered to be a part of the same corporate group.

Significant transactions with related parties during the year were as follows:

Related parties	*Relationship*	*Transactions*	*VND* *Amounts*
Ninh Binh Thremal Electricity Joint Stock Company	Associate	Dividend income	4,827,160,000
		Capital contribution	(9,496,003,393)
Doan Nhat Mechanical Electrical Joint Stock Company	Associate	Sub-contractor service	(15,826,573,733)
		Dividend income	6,000,225,000
Quality Mechanical Electrical Joint Stock Company	Associate	Sub-contractor service	(8,749,934,482)
		Dividend income	46,305,198
Hop Phat Mechanical Electrical Joint Stock Company	Associate	Sub-contractor service	(5,738,282,819)
		Dividend income	245,000,000
Sai Gon Real Estate JSC	Associate	Lending	(9,225,474,000)
		Dividend income	11,587,878,850
		Capital contribution	(12,527,372,000)
Thac Ba Hydropower Joint-Stock Company	Associate	Dividend income	14,458,893,600
Thac Mo Hydropower Joint-Stock Company	Associate	Dividend income	19,865,784,000
Vietnam Infrastructure and Real Estate Joint Stock Company	Associate	Capital contribution	(20,100,000,000)

26. TRANSACTIONS WITH RELATED PARTIES (continued)

Amount due to and due from related parties at the balance sheet date as follows:

Related parties	*Relationship*	*Transactions*	*VND Receivable (payable)*
Advances to suppliers			
Doan Nhat Mechanical Electrical Joint Stock Company	Associate	Advance for sub-contractor service	6,466,868,895
Quality Mechanical Electrical Joint Stock Company	Associate	Advance for sub-contractor service	4,321,081,617
Hop Nhat Mechanical Electrical Joint Stock Company	Associate	Advance for sub-contractor service	1,507,626,273
TOTAL			**12,295,576,785**
Other receivable			
Sai Gon Real Estate JSC	Associate	Lending	9,225,474,000

Transactions with other related parties

Remuneration to members of Board of Management and Board of Directors during the year is as follows:

	Current year	*VND Previous year*
Remuneration to members of Board of Directors		
Salaries and bonus	2,909,124,999	1,558,333,333
Remuneration to Management		
Salaries and bonus	2,590,000,000	2,490,000,000
TOTAL	**5,499,124,999**	**4,048,333,333**

27. COMMITMENTS

27.1 *Obligations under operating leases*

The Group leases land for its plant in Tan Binh Industrial Zone and offices under operating lease agreements. As at 31 December 2012, future rental amounts due under these leases were as follows:

		VND
	31 December 2012	*31 December 2011*
Less than one year	11,767,874,113	14,414,178,908
From one to five years	27,362,005,852	31,295,660,240
More than five years	-	583,450,000
TOTAL MINIMUM LEASE PAYMENTS	**39,129,879,965**	**46,293,289,148**

27.2 *Investment commitments*

		VND
	31 December 2012	*31 December 2011*
Saigon Water Investment and Trading Joint Stock Company	27,000,000,000	27,000,000,000
Song Thanh Real Estate Joint Stock Company	73,900,000,000	73,900,000,000
Song Mai Real Estate Joint Stock Company	74,000,000,000	-
TOTAL	**174,900,000,000**	**100,900,000,000**

28. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

- Supply & installation services;
- Sale of goods;
- Property leasing; and
- Investments

Management monitors the operating results of its business units separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain aspects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing, including finance costs and finance revenue, and income taxes are managed on a Group basis and are not allocated to operating segments.

28. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2012 are as follows:

VND

	Supply & installation services	*Sale of goods*	*Property leasing*	*Investments*	*Consolidated*
Sales					
Total segment sales	2,000,858,674,038	358,059,245,854	500,205,676,633	-	2,859,123,596,525
Inter-segment sales	(326,525,753,405)	(77,822,161,736)	(59,156,122,924)	-	(463,504,038,065)
TOTAL	**1,674,332,920,633**	**280,237,084,118**	**441,049,553,709**	**-**	**2,395,619,558,460**
Results					
Segment results	147,799,143,885	17,148,135,112	233,209,364,213	332,855,032,234	731,011,675,444
Finance income					111,193,735,396
Finance expenses					(48,883,966,408)
Other income					4,675,853,069
Other expenses					(1,272,530,890)
CIT and DIT					(139,882,916,322)
Non-controlling interest					(21,137,379)
Net profit after tax					**656,820,712,910**

The segment assets and liabilities for as at 31 December 2012 are as follows:

VND

	Supply & installation services	*Sale of goods*	*Property leasing*	*Investments*	*Consolidated*
Segment assets	1,518,323,998,195	198,409,911,679	970,160,511,993	3,448,455,733,830	6,135,350,155,697
Unallocated assets					439,090,442,485
TOTAL ASSETS					**6,574,440,598,182**
Segment liabilities	1,135,306,749,256	103,113,305,475	273,513,694,885	826,915,009,012	2,338,848,758,628
Unallocated liabilities					19,639,192,131
TOTAL LIABILITIES					**2,358,487,950,759**

28. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2011 are as follows:

VND

	Supply & installation services	*Sale of goods*	*Property leasing*	*Investments*	*Consolidated*
Sales					
Total segment sales	1,555,819,866,963	361,142,745,284	413,597,222,756	12,743,191	2,330,572,578,194
Inter-segment sales	(399,977,197,502)	(75,231,463,581)	(44,911,994,065)	(12,743,191)	(520,133,398,339)
TOTAL	1,155,842,669,461	285,911,281,703	368,685,228,691	-	1,810,439,179,855
Results					
Segment results	146,247,155,980	22,607,361,087	216,004,426,070	214,755,583,367	599,614,526,504
Finance income					105,977,394,011
Finance expenses					(80,301,049,558)
Other income					6,541,381,030
Other expenses					(761,300)
CIT and DIT					(119,020,298,417)
Non-controlling interest					824,791,268
Net profit after tax					**513,635,983,538**

The segment assets and liabilities as at 31 December 2011 are as follows:

VND

	Supply & installation services	*Sale of goods*	*Property leasing*	*Investments*	*Consolidated*
Segment assets	1,133,064,671,990	225,558,809,033	816,093,087,077	2,805,614,174,162	4,980,330,742,262
Unallocated assets					316,993,915,825
TOTAL ASSETS					**5,297,324,658,087**
Segment liabilities	827,443,236,875	127,366,220,152	216,040,005,556	213,685,387,444	1,384,534,850,027
Unallocated liabilities					46,091,034,832
TOTAL LIABILITIES					**1,430,625,884,859**

29. 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 Group by the weighted average number of ordinary shares outstanding during the year. Basic earnings per share are calculated as follows:

	Current year	*Previous year*
Net profit after tax attributable to ordinary equity holders *(VND)*	656,820,712,910	513,635,983,538
Weighted average number of ordinary shares	242,895,705	208,424,840
Basic earnings per share *(VND)*	**2,704**	**2,464**

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible bonds) 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. A diluted earnings per share is calculated as follows:

	Current year	*Previous year*
Net profit attributable to ordinary equity holders of the parent for basic earnings *(VND)*	656,820,712,910	513,635,983,538
Impact after tax of interest on convertible bonds *(VND)*	836,769,000	-
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution *(VND)*	**657,657,481,910**	**513,635,983,538**
Weighted average number of ordinary shares for basic earnings per share	242,895,705	208,424,840
Weighted average number of ordinary shares from convertible bonds	833,643	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**243,729,348**	**208,424,840**
Diluted earnings per share *(VND)*	**2,698**	**2,464**

30. CONTINGENT ASSET

On 28 September 2011, the Company entered into a Restructuring Deed to transfer all of its ownership in Vung Ang II Thermal Electricity Company ("VAPCO"). According to this deed, all risks and rewards of the Company in VAPCO were passed to the buyer on 14 November 2011. Proceeds from disposal amounting to VND 153,323,885,510 were fully collected and this amount is non-refundable in any circumstances.

Also in accordance with this agreement, the Company may receive US$ 3,779,832 in addition to said proceeds upon the occurrence or non-occurrence of uncertain future events not wholly within the control of the Company. All parties will complete related administrative procedures at the completion date of the Deed. Accordingly, management accounted this amount as contingent asset and accordingly disclosed in the consolidated financial statements in accordance with Vietnamese Accounting Standard No. 18 - "Provision, Contingent assets and liabilities".

31. 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 consolidated financial statements.

32. CORRESPONDING FIGURES

Certain accounts in the prior year's consolidated financial statements have been reclassified to conform to the presentation of current year's consolidated financial statements.

CÔNG TY CỔ PHẦN CƠ ĐIỆN LẠNH

Pham Thi Uyen Phuong Preparer	Ho Tran Dieu Lynh Chief Accountant	Nguyen Thi Mai Thanh General Director

10 March 2013