

II. ACCOUNTING PERIOD AND REPORTING CURRENCY**1. Fiscal year**

The fiscal year is begun on January 01 and ended December 31 annually.

2. Reporting currency

Vietnam Dong (VND) is used as a currency unit for accounting records.

III. ADOPTION OF ACCOUNTING STANDARDS AND POLICIES**1. Applicable Accounting System**

The company applies the Vietnamese Accounting System issued by the Vietnam Ministry of Finance in accordance with Decision No.15/2006/QD-BTC dated March 20, 2006 and the amended, supplemented circulars.

2. Disclosure of compliance with Vietnamese Accounting Standards and the Vietnamese Accounting System

We conducted our accounting in accordance with Vietnamese Accounting Standards and other relevant statutory regulations. The financial statements give a true and fair view of the state of affairs of the Company and the results of its operations, as well as its cash flows.

The selection of figures and information presented in the notes to the financial statements is complied with the material principles in Vietnamese Accounting Standard No.21 - Presentation of the financial statements.

3. Form of records applied

General Journal

IV. APPLICABLE ACCOUNTING POLICIES**1. Principles for recording cash amounts**

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit and other short-term investments with an original maturity of three months or less, highly liquid, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.

Principles for foreign currency translation:

Transactions in currencies other than VND during the year have been translated into VND at the rates of exchange at the transaction dates, foreign exchange differences are recorded in the financial income or expenses and presented in the income statement.

2. Principles for recording trade receivables and other receivables:

Principle for recording receivables: At original cost less provision for doubtful debts. Method of making provision for doubtful debts: Provision for doubtful debts represents the estimated loss value of overdue receivable debts and undue receivable debts which are likely to become possibly irrecoverable due to insolvency of debtors.

3.Principles for recording inventories:

Principles adopted in recording inventory: Inventories are stated at original cost less (-) the provision for the decline in value of inventories and obsolete items. The original cost of inventories consists of costs of purchase, processing costs and other costs incurred in bringing the inventories to their present location and condition.

Method of determining cost of inventories in the end of the period: Weighted Average Method

Method of accounting for the inventories: Perpetual method "Method of making provision for decline in value of inventories: Provision for decline in value of inventories is made when the net realisable value of inventories are lower than their original cost. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. The provision for decline in value of inventories is the difference between the cost of inventories greater than their net realisable value. "

4. Principles for recording fixed assets:**4.1 Principles for recording tangible fixed assets:**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises all expenditures of bringing the asset to its working condition and location for its intended use. The expenditures incurred beyond their originally assessed standard of performance are capitalised as an additional cost of tangible fixed assets when they have resulted in an increase in the future economic benefits expected to be obtained from the use of those tangible fixed assets. The expenditures which do not meet the above conditions are charged to the expenses in the year.

When the assets are sold or disposed, their original costs and the accumulated depreciation which have been written off and any gain or loss from disposal of assets are recorded in the income statement.

Tangible fixed assets purchased

The original cost of purchased tangible fixed assets shall consist of the actual purchase price payable less (-) trade discounts or reduction plus (+) taxes (excluding taxes to be refunded) and relevant expenses calculated to the time when such fixed assets are put into operation such as fees for installation and trial operation of fixed assets; specialists and other direct costs.

4.2 Principles for recording intangible fixed assets:

Intangible fixed assets are stated at cost less accumulated amortization. The original cost of an intangible fixed asset comprises all costs of owning the asset to the date it is put into operation as expected.

Notes to the financial statements

4.3 Method of depreciating and amortizing fixed assets

Depreciation is charged to write off the cost of fixed assets on a straight line basis over their estimated useful lives. Useful life means the duration in which the tangible fixed assets produce their effect on production and business.

The estimated useful life for assets is as follows:

Buildings and structures	5 - 25 years
Machinery and equipment	3 - 10 years
Transportation and facilities	3 - 6 years
Office equipment	3 years

Land use rights which are granted for an indefinite term are carried at cost and not amortised.

5. Principles for recording construction in progress:

Construction in progress is stated at original cost. These costs include: purchase of fixed assets, construction or repair, improvement, extension or equipping of the works.

These costs are capitalised as an additional cost of asset when the works have been completed. After the works have been finalized, the asset will be handed over and put into use.

6. Principles for recording financial investments:

Principles for recording financial investments in associates: Companies are considered as the Company's associates when the Company has 20% - 50% of the long-term owners' equity in those companies and has considerable influence over their decisions on financial policies. Investments in associates are recorded at cost method.

Principles for recording short-term, long-term securities investment and other short-term, long-term investments: Investments include debt securities, equity securities or paid-in capital in other economic institutions established in accordance with regulation, but the Company only holds less than 20% of the owners' equity (less than 20% of the voting right) and the recovery term is less than 1 year (short-term investment) or more than 1 year (long-term investment). These investments are recorded at cost method.

Provision for decline in value of short-term, long-term security investments is made when the net realizable value (market value) of the security investments is lower than the original cost.

Provision for loss of long-term financial investments is made when the Company confirms that these investments' value does not decline temporarily and out of the plan since the investee suffers from loss.

The level of provision is the difference between the net realizable value (market value) or value of recoverable investments and the original cost stated in the accounting book.

Notes to the financial statements

7. Principles for recording accrued expenses

Accruals which are recognised on the basis of reasonable estimates on the amounts to be paid in the future for goods and services rendered include: selling expense, interest expense, other expenses.

8. Principles for recording provision liabilities:

Provisions are recognized when the following conditions are satisfied: the Company has a present (legal or constructive) obligations as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Value of provision liability being recorded: The value which is estimated to be the most reasonable for settling the present obligation at the balance sheet date.

9. Principles for recording owner's Equity

Principles for recording owner's paid-in capital:

The capital contributed by members or added from profit after tax will be recorded at the actual contributed capital by cash or assets in the early establishment period or additional mobilization to expand operation scale.

+ Principles for recording foreign exchange differences:

The foreign exchange differences reflected are the foreign exchange differences incurred or upon revaluation of monetary items denominated in foreign currency at the year end (gain or loss) of construction (pre-operation phase).

+ Principles for recognising undistributed profit:

Principle for recognising undistributed profit: the undistributed profit is recorded as the profit (loss) from the Company's result of operation after deducting the current year corporate income tax and the adjusted items due to the retroactive application of changes in accounting policy and adjustments for material misstatement of the previous year.

The distributing of profit is based on the charter of the Company approved by the annual shareholder meeting.

10. Principles for recording revenues

Sales of goods

Revenue from the sale of good should be recognised when all the five (5) following conditions have been satisfied: 1) The enterprise has transferred to buyer the significant risks and rewards of ownership of the goods; 2) The enterprise retains neither continuing managerial involvement as an owner nor effective control over the goods sold; 3) The amount of revenue can be measured reliably; 4) The economic benefits associated with the transaction has flow or will flow to the enterprise; 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If the contract results can not be determined firmly, the revenue will be recorded at recoverable level of expenses recorded.

Principles for recording financial income

Notes to the financial statements

Financial incomes include interests, royalties, distributed dividends and profits and income from other financing activities (sale and purchase of securities, liquidation of capital in joint-ventures, investment in associates, subsidiaries, other investments; Foreign exchange gains; Capital transfer gain)...

Income arising from interests, royalties, distributed dividends and profits of the enterprises shall be recognized if they simultaneously satisfy the two (2) conditions below 1. It is possible to obtain economic benefits from the concerned transactions; 2. Income is determined with relative certainty.

- Interests recognized on the basis of the actual time and interest rates in each period;
- Royalties recognized on the basis of accrue ment in compliance with the contracts;
- Distributed dividends and profits shall be recognized when shareholders are entitled to receive dividends or the capital-contributing parties are entitled to receive profits from the capital contribution.

"When an amount which has been recorded as an income becomes irrecoverable, such irrecoverable or uncertainly recoverable amount must be accounted as expense incurred in the period, but not recorded as income decrease."

11. Principles and methods of recording taxes

Income tax on the profit or loss for the year comprises current and deferred tax when profit or loss of one accounting period is determined.

Current tax: is the tax payable (or recoverable) on the taxable income and tax rate enacted in current year in accordance with the law on corporate income tax.

The tax amounts payable to the State budget will be finalized with the tax office. Differences between the tax amounts payable specified in the book and the tax amounts under finalization will be adjusted when the tax finalization has been issued by the tax office.

The Company has the obligation to pay corporate income tax at the rate of 25% on taxable income.

12. Provisions for foreign exchange risks

Closing balance of monetary items (cash, cash equivalents, payables and receivables) denominated in foreign currencies should be revaluated at average inter-bank exchange rate stated by the State Bank of Vietnam at the balance sheet. The exchange rate as at December 31, 2010: 18.932 VND/USD.

In the year, the Board of Directors decides to record foreign exchange differences in compliance with the guidance in Circular No. 201/2009/TT-BTC dated October 15, 2009 ("Circular No. 201") and believes that the application of this circular together with the full disclosure of information on the differences in case of complying VAS 10 "Influences of changes in exchange rate ("VAS 10")" will supply the users of these financial statements with more sufficient information.

Influences on the preparing and presenting of the financial statements of the Company in case where the Company applies VAS 10 for the fiscal year ended December 31, 2010 are presented in the Notes VII.2.

