

**SAOBACDAU TECHNOLOGIES
CORPORATION AND SUBSIDIARIES**

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended on 31 December 2008**

CONTENTS

	Page
Chief Executive Officer's report	1 - 3
Auditor's report	4
Consolidated audited financial statements	
Consolidated balance sheet as at 31 December 2008	5 - 8
Consolidated income statement for the year ended on 31 December 2008	9
Consolidated cash flows statement for the year ended on 31 December 2008	10 - 11
Notes to the consolidated financial statements	12 - 29

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CHIEF EXECUTIVE OFFICER'S REPORT

SaoBacDau Technologies Corporation (The Company) and its subsidiaries (together with The Company hereinafter referred to as The Company) present this report and the consolidated audited financial statements of The Company for the year ended on 31 December 2008.

1. Background

SaoBacDau Technologies Corporation, formerly known as Informatics Service Provider Co. Ltd., since 1996, was established in accordance with Certificate of Business Registration No. 4103002093 dated 11 February 2004 issued by Planning and Investment Department of Ho Chi Minh City and other amended licenses.

The Company has registered as a public company at The State Securities Commission on 11 December 2007.

Head office and branches:

- Head Office: 208-210 Khanh Hoi Street, Ward 6, District 4, Ho Chi Minh City.
- Ha Noi Branch: Room 404, D40 Giang Vo Street, Ba Dinh District, Ha Noi City.
- Da Nang Representative Office: 15 Quang Trung Street, Hai Chau District, Da Nang City.

Charter capital: VND 80 billion.

The Company's principal activities are:

Producing, installing, and maintaining informatics and electronics equipment, informatics network. Trading in telecommunication equipment, electronics, informatics products, office equipments, electric cable wire, adaptors, electronic devices. The consignment of goods, trading agency. Business machines for rent services. Trading telephones, fax machines, FABX switching fabric (32 digits). Trading in, installing, maintaining electrics, electronics, informatics equipments and network. Trading in, producing, maintaining the equipment of telecommunications; trading in, producing the materials of telecommunications - network; providing telecommunications service agent. Trading in and producing informatics software, designing web. Providing information uploaded to the Internet services; providing Internet services agent (not including internet service providing agent in the head office). Consultant, training informatics and telecommunications technology. Leasing office. Trading in, installing, mending, maintaining electrical equipment, automatic control equipment (not including processing mechanic, producing electroplate, recycling waste at head office). Consulting technology transfer. Vocational training. Trading in software, machine, equipment in radio-broadcasting and television. Producing, trading in, publishing films, disk with legal contents (not trade in the head office). Trading in the real estate. Constructing civilian constructions, industrial constructions. Air tickets agent. Designing computer network systems (designing, setting up the Internet main pages, and designing computer network systems integrated hardware and software and communication technologies).

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES CHIEF EXECUTIVE OFFICER'S REPORT

2. Members of The Board of Directors.

Members of The Board of Directors during the year 2008 and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Mr. Nguyen Duc Quang	Chairman
Mr. Tran Tuyen Duc	Vice Chairman
Mr. Do Van Hao	Member
Mr. Le Hong Phong	Member
Mr. Hoang Hai Thinh	Member
Mr. Tran Anh Tuan	Member
Mr. Dang Nam Son	Member

3. Members of The Management .

Members of The Management during the year 2008 and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Mr. Tran Anh Tuan	Chief Executive Officer
Mr. Hoang Hai Thinh	Chief Operator Officer
Mr. Le Hong Phong	Chief Business Officer
Mr. Vo Hung Anh	Chief Operator Officer

4. Members of Control Committee

Members of the Control Committee during the year 2008 and on the date of this report include:

<u>Full name</u>	<u>Position</u>
Ms. Mai Thuy Mai	Chief of Control Committee
Mr. Pham Manh Hung	Member
Ms. Nguyen Thi Minh Huan	Member

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

CHIEF EXECUTIVE OFFICER'S REPORT

5. Financial review

The result of The Group's consolidated business operations for the year 2008 are shown on the accompanying consolidated financial statements audited by DTL Auditing Company.

6. Chief Executive Officer's commitment

The Chief Executive Officer 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 registered accounting system.

The Chief Executive Officer 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.

The Chief Executive Officer ensures that there are no unusual items that may render any amount stated in the financial statements misleading, and The Group has no any contingent liability or other liability that will or may substantially affect the ability of The Group to meet its obligations as and when they fall due.

As of the date of this report, The Chief Executive Officer was not aware of any irregularities that render the figures in the financial statements misleading, and The Group has ability to pay all debts when they fall due.

7. Auditor

DTL Auditing Company has been appointed to audit annual consolidated financial statements of The Group.

8. Chief Executive Officer's statement

In Chief Executive Officer's opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of The Group as at 31 December 2008, the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System.

Ho Chi Minh City, 31 March 2009

CHIEF EXECUTIVE OFFICER



TRAN ANH TUAN

No: 09.112/BCKT

AUDITOR'S REPORT

**To: Members of The Board of Directors
Members of The Management
SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES**

We have audited the accompanying consolidated balance sheet of SaoBacDau Technologies Corporation and its subsidiaries (hereinafter referred to as "The Group") as at 31 December 2008, and related consolidated income statement and consolidated cash flows statement and appended notes to the consolidated financial statements for the year then ended. These consolidated financial statements are the responsibility of The Company's Chief Executive Officer. Our responsibility is to express an opinion on the true and fair view of these financial statements based on our audit.

Basis of opinion

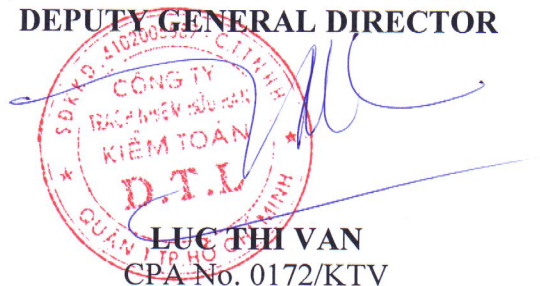
We conducted our audit in accordance with Vietnamese standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of SaoBacDau Technologies Corporation and its subsidiaries as at 31 December 2008 and of the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System.

Ho Chi Minh City, 31 March 2009

**PP. MANAGING DIRECTOR
DEPUTY GENERAL DIRECTOR**


LUC THI VAN
CPA No. 0172/KTV

AUDITOR



NGO THANH BINH
CPA No. 0524/KTV

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

As at 31 December 2008

Currency unit: VND

ASSETS	Code	Note	Ending Balance	Beginning Balance
A. CURRENT ASSETS	100		202,494,385,310	106,682,731,809
I. Cash and cash equivalent	110	5.1	17,728,730,406	6,785,435,579
1. Cash	111		17,728,730,406	6,785,435,579
2. Cash equivalent	112			
II. Short-term investments	120			
1. Short-term investments	121			
2. Provision for the diminution in value of short-term securities	129			
III. Accounts receivable	130		122,764,269,111	53,750,032,976
1. Trade receivables	131		116,590,119,622	43,943,786,001
2. Advances to suppliers	132		5,650,717,100	8,462,373,273
3. Receivables from related parties	133			
4. Construction contractor receivables based on agreed progress billings	134			
5. Other receivables	135		523,432,389	1,343,873,702
6. Provision for doubtful debts	139			
IV. Inventories	140	5.2	48,810,406,558	39,365,073,506
1. Inventories	141		48,810,406,558	39,365,073,506
2. Provision for inventory obsolescence	149			
V. Other current assets	150		13,190,979,235	6,782,189,748
1. Prepaid expenses	151		3,190,647,907	106,894,386
2. VAT deductible	152		1,615,998,613	280,854,776
3. Tax receivables and other receivable from the State	154		11,299,098	
4. Other current assets	158	5.3	8,373,033,617	6,394,440,586

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SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

As at 31 December 2008

Currency unit: VND

ASSETS	Code	Note	Ending Balance	Beginning Balance
B. NON-CURRENT ASSETS	200		42,014,670,332	31,503,155,399
I. Long-term receivables	210			
1. Long-term trade receivables	211			
2. Equity capital allotted to subsidiary	212			
3. Long-term receivables from related parties	213			
3. Other long-term receivables	218			
4. Provisions for doubtful long-term receivables	219			
II. Fixed assets	220		34,978,289,262	19,372,780,422
1. Tangible fixed assets	221	5.4(a)	13,378,851,257	7,353,795,188
- Cost	222		21,761,324,233	12,659,130,995
- Accumulated depreciation	223		(8,382,472,976)	(5,305,335,807)
2. Finance leases	224			
- Cost	225			
- Accumulated depreciation	226			
3. Intangible fixed assets	227	5.4(b)	11,773,765,352	11,963,760,511
- Cost	228		12,635,116,530	12,501,335,080
- Accumulated depreciation	229		(861,351,178)	(537,574,569)
4. Construction in progress	230	5.4(c)	9,825,672,653	55,224,723
III. Investment properties	240			
- Cost	241			
- Accumulated depreciation	242			
IV. Long-term investments	250		2,972,493,800	11,498,420,000
1. Investments in subsidiaries	251			
2. Investments in associates, joint-ventures	252	5.5	2,972,493,800	10,204,420,000
3. Other long-term investments	258			1,294,000,000
4. Provision for long-term investments	259			
V. Other long-term assets	270		4,063,887,270	631,954,977
1. Long-term deferred expenses	271		3,492,331,194	631,954,977
2. Deferred income tax asset	272			
3. Other long-term assets	278		571,556,076	
TOTAL ASSETS	280		244,509,055,642	138,185,887,208

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SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

As at 31 December 2008

Currency unit: VND

RESOURCES	Code	Note	Ending Balance	Beginning Balance
A. LIABILITIES	300		187,101,327,426	87,912,585,996
I. Current liabilities	310		182,873,786,205	81,227,400,811
1. Short-term loans and debts	311	5.6(a)	71,835,774,597	47,827,358,425
2. Trade payables	312		77,986,187,834	13,088,118,826
3. Advances from customers	313		18,540,729,885	15,347,792,335
4. Statutory obligations	314	5.7	10,307,701,439	2,377,084,110
5. Payables to employees	315		1,748,746,478	1,316,255,299
6. Accruals	316		1,156,878,025	
7. Payables to related parties	317			
8. Construction contractor payables based on agreed progress billings	318			
9. Other payables	319	5.8	1,297,767,947	1,270,791,816
10. Short-term provision	320			
II. Long-term liabilities	330		4,227,541,221	6,685,185,185
1. Long-term trade payables	331			
2. Long-term payables to related parties	332			
3. Other long-term payables	333			
4. Long-term loans and debts	334	5.6(b)	4,222,222,221	6,685,185,185
5. Deferred income tax payables	335			
6. Provision for unemployment funds	336		5,319,000	
7. Long-term provision	337			
B. OWNERS' EQUITY	400		53,729,319,897	50,158,151,574
I. Equity	410		53,729,319,897	50,158,151,574
1. Contributed legal capital (Share capital)	411	5.9(b)	37,563,790,000	37,563,790,000
2. Capital surplus	412	5.9(a)	7,960,553,900	7,960,553,900
3. Other contributed capital	413			
4. Treasury shares	414			
5. Asset revaluation surplus	415			
6. Foreign exchange differences	416			
7. Investment and development fund	417	5.9(a)	356,100,733	349,878,228
8. Financial reserved fund	418	5.9(a)	525,710,169	93,419,877
9. Other funds within owners' equity	419			
10. Undistributed earnings	420	5.9(a)	7,323,165,095	4,190,509,569
11. Capital expenditure fund	421			
II. Other capital, funds	430			
1. Bonus and welfare funds	431			
2. Subsidy funds	432			
3. Funds invested in fixed assets	433			
C. MINORITY INTERESTS	439		3,678,408,319	115,149,638
TOTAL LIABILITIES AND OWNERS' EQUITY	500		244,509,055,642	138,070,737,570

**SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET**

As at 31 December 2008

Currency unit: VND

OFF BALANCE SHEET ITEMS	Note	Ending Balance	Beginning Balance
1. Assets under operating lease			
2. Goods held under trust or for processing			
3. Goods held by the company on consignment			
4. Bad debts written off			
5. Foreign currencies			
+ USD		1,080.22	280.51
6. Budgeted operating expenses			

31 March 2009

CHIEF ACCOUNTANT

HO THI HONG HANH

CHIEF EXECUTIVE OFFICER



TRAN ANH TUAN

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

For the year ended on 31 December 2008

Currency unit: VND

Items	Code	Note	Current year	Previous year
1. Sales	01		391,953,212,223	216,673,462,361
2. Deductions	02		19,116,500	1,607,200
3. Net sales (10=01-02)	10		391,934,095,723	216,671,855,161
4. Cost of sales	11		314,855,285,095	175,408,868,467
5. Gross profit (20=10-11)	20		77,078,810,628	41,262,986,694
6. Financial income	21	6.1	7,884,098,166	317,238,943
7. Financial expenses	22	6.2	15,632,363,314	4,655,638,939
<i>In which: Interest expense</i>	23		9,917,682,644	4,218,621,898
8. Selling expenses	24	6.3	22,160,320,675	15,648,601,806
9. General and administration expenses	25	6.4	31,332,208,515	15,737,761,116
10. Operating profit/(loss) {30=20+(21-22)-(24+25)}	30		15,838,016,290	5,538,223,776
11. Other income	31	6.5	1,245,989,648	4,086,174,016
12. Other expenses	32	6.6	862,189,724	4,039,057,293
13. Net other income/(expense) (40=31-32)	40		383,799,924	47,116,723
14. Share of profits from associates	50			
15. Accounting profit before tax (60=30+40+50)	60		15,475,360,022	5,585,340,499
16.1. Current tax expense	61	6.7	4,328,957,649	1,596,564,511
16.2. Deferred tax expense	62			
17. Net profit/(loss) after tax (60=60-61-62)	70		11,146,402,373	3,988,775,988
17.1. Parent company's owners			10,986,928,078	3,983,626,350
17.2. Minority interests			159,474,295	5,149,638
18. Earning per share		5.9(e)	2,925	1,530

31 March 2009

CHIEF ACCOUNTANT



HO THI HONG HANH

CHIEF EXECUTIVE OFFICER



TRẦN ANH TUAN

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOWS STATEMENT
(DIRECT METHOD)

For the year ended on 31 December 2008

Currency unit: VND

ITEMS	Code	Note	Current year	Previous year
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Cash receipts from customers	01		455,472,089,144	327,368,680,553
2. Cash paid to suppliers	02		(416,598,101,626)	(327,655,942,537)
3. Cash paid to employees	03		(22,286,137,592)	(15,363,234,853)
4. Interest paid	04		(10,548,837,112)	(4,218,621,898)
5. Income taxes paid	05		(1,935,351,970)	(1,195,873,761)
6. Other cash inflows from operating activities	06		15,230,670,187	6,406,082,330
7. Other cash outflows from operating activities	07		(32,754,066,140)	(10,918,754,356)
Net cash from/(used in) operating activities	20		(13,419,735,109)	(25,577,664,522)
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Purchase of fixed assets and other long-term assets	21		(13,911,909,869)	(5,090,032,129)
2. Proceeds from disposals of fixed assets and other long-term assets	22		54,343,365	6,621,177,454
3. Loans to other entities and payments for purchase of debt instruments of other entities	23			
4. Repayments from borrowers and proceeds from sales of debt instruments of other	24			
5. Payments for investments in other entities	25		(3,424,530,000)	(11,428,420,000)
6. Proceeds from sales of investments in other entities	26		6,430,000,000	
7. Interest and dividends received	27		175,153,516	8,876,842
Net cash from/(used in) investing activities	30		(10,676,942,988)	(9,888,397,833)

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SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED CASH FLOWS STATEMENT
(DIRECT METHOD)

For the year ended on 31 December 2008

Currency unit: VND

ITEMS	Code	Note	Current year	Previous year
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Capital contribution	31		5,339,917,500	28,798,475,000
2. Capital redemption	32		(89,917,500)	(7,450,000,000)
3. Borrowings	33		163,239,220,879	112,639,839,570
4. Loan repayment	34		(125,959,551,195)	(93,218,799,767)
5. Finance lease principal paid	35			
6. Dividends paid	36		(7,489,696,760)	(1,419,900,000)
Net cash from/(used in) financing activities	40		35,039,972,924	39,349,614,803
Net increase/(decrease) in cash (50=20+30+40)	50		10,943,294,827	3,883,552,448
Cash and cash equivalents at beginning of year/(period)	60	5.1	6,785,435,579	2,901,883,131
Impact of exchange rate fluctuation	61			
Cash and cash equivalents at end of year/(period) (70=50+60+61)	70	5.1	17,728,730,406	6,785,435,579

31 March 2009

CHIEF ACCOUNTANT



HO THI HONG HANH

CHIEF EXECUTIVE OFFICER



TRAN ANH TUAN

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. Background

1.1. Structure of ownership

SaoBacDau Technologies Corporation (referred to as The Company), formerly known as Informatics Service Provider Co. Ltd., since 1996, was established in accordance with Business Registration Certificate No. 4103002093 dated 11 February 2004 issued by Planning and Investment Department of Ho Chi Minh City and other amendment licenses.

The Company has registered as a public company at The State Securities Commission on 11 December 2007.

Head office and branches:

- Head Office: 208-210 Khanh Hoi Street, Ward 6, District 4, Ho Chi Minh City.
- Ha Noi Branch: Room 404, D40 Giang Vo Street, Ba Dinh District, Ha Noi City.
- Da Nang Representative Office: 15 Quang Trung Street, Hai Chau District, Da Nang City.

The Company has its subsidiaries as discussed in Note 4.1 (together with The Company referred to as The Group).

The charter capital according to The Business Registration Certificate: VND 80 billion.

1.2. Business industry

Producing, installing, and maintaining informatics and electronics equipment, informatics network. Trading in telecommunication equipment, electronics, informatics products, office equipments, electric cable wire, adaptors, electronic devices. The consignment of goods, trading agency. Business machines for rent services. Trading telephones, fax machines, FABX switching fabric (32 digits). Trading in, installing, maintaining electrics, electronics, informatics equipments and network. Trading in, producing, maintaining the equipment of telecommunications; trading in, producing the materials of telecommunications - network; providing telecommunications service agent. Trading in and producing informatics software, designing web. Providing information uploaded to the Internet services; providing Internet services agent (not including internet service providing agent in the head office). Consultant, training informatics and telecommunications technology. Office for rent. Trading in, installing, repairing, maintaining electrical equipment, automatic control equipment (not including processing mechanic, producing electroplate, recycling waste at head office). Consulting technology transfer. Vocational training. Trading in software, machine, equipment in radio-broadcasting and television. Producing, trading in, publishing films, disk with legal contents (not trade in the head office). Trading in the real estate. Constructing civilian constructions, industrial constructions. Air tickets agent. Designing computer network systems (designing, setting up the Internet main pages, designing computer network systems integrated hardware and software and communication technologies).

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

2. Fiscal year, reporting currency

2.1. Fiscal year

The Group's fiscal year is from 1 January to 31 December.

2.2. Reporting currency

The Group maintains its accounting records in Vietnam dong.

3. Accounting standards, accounting system

3.1. Accounting standards, accounting system

The Group has adopted Vietnamese Accounting Standards and system.

3.2. Forms of accounting records

Journal voucher.

3.3. Statement of compliance with Vietnamese Accounting Standards

The Group's consolidated financial statements for the year ended on 31 December 2008 are prepared in accordance with Vietnamese Accounting Standards and system.

4. Significant accounting policies

4.1. Basis of consolidated financial statement preparation

a. General basis of accounting

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards and system and accounting principles generally accepted in Vietnam.

b. Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Parent entity. Control exists when the Parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

The consolidated financial statements included SaoBacDau Technologies Corporation and its subsidiaries, as follows:

	The value investment of The Parent Company (VND'000)		Rate of ownership (%)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Netpro Consultant and Training Co., Ltd.	4,950,000	4,950,000	99	99
Viet Communication and Networks Technologies Corporation	2,940,000	2,940,000	98	98
SaoBacDau Business Solutions Corporation	2,600,000	980,000	52	49
SaoBacDau Integrated Management Solution Corporation	1,224,000	1,224,000	51	51

SaoBacDau Integrated Management Solution Corporation was established in 2007 and the first fiscal year is from 1 October 2007 to 31 December 2008. Therefore, the consolidated financial statements consolidated the profit or loss from 1 October 2007 to 31 December 2008.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements included the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

Associates are accounted for using the equity method:

	The value investment of SaoBacDau Technologies Corp. (VND'000)		Rate of ownership (%)	
	Ending balance	Beginning balance	Ending balance	Beginning balance
Skill Group	224,420	224,420	49.00	35.00
Viet Thanh Cong Communication and Networks Technologies Corporation	3,000,000	-	41.67	-

Financial reports for the year that ends by 31 December 2008 of Skill Group and Viet Thanh Cong Communication and Networks Technologies Corporation have not been audited by an independent audit company.

Inter – Company transactions

All inter – Company balance and transactions, including unrealised inter-Company profits, are eliminated.

Minority interests

The equity and net income attributable to minority interests are show a separate item in the Consolidated financial statement.

4.2 Cash and Cash equivalents

- Recognition of Cash and Cash equivalents

Cash comprises cash on hand, cash in transit and demand deposits. Cash equivalents are short-term investments (for a period not exceeding 3 months) that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

- Foreign currency translations

Transactions in foreign currencies are translated into reporting currencies at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currencies ruling at the balance sheet date. Gains or losses resulting from foreign currency translations are taken to the Income Statement.

4.3 Inventories

- Inventory measurement

Inventories are measured at cost. Where the net realizable value is lower than cost, inventories are measured at the net realizable value.

The costs of inventories comprise all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present current location and condition.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

The costs of purchase comprise the purchase price, non-reimbursable taxes and duties, and transport, handling and other costs directly attributable to the purchase. Trade discount and sales rebates on substandard and obsolete goods purchased are deducted from the costs of purchase

- Method of determining closing balance of inventories

The closing balance of inventories of the parent company is determined by the first-in, first-out method.

The closing balance inventories of subsidiaries is determined by the weighted – average method.

- Method of accounting for inventories

Inventories are recorded under the perpetual inventory method.

- Provision for decline in inventory

The Group has yet to make the provision for decline in inventory.

4.4 Trade receivables

- Recognition method

Trade receivables and other receivables are stated at expected collectible value.

- Provision for doubtful debts

The Group has yet to make the provision for doubtful debts.

4.5 Recognition, depreciation and amortization of fixed assets

- Tangible fixed asset recognition

Tangible fixed assets are initially recognized at their costs. The cost of a tangible fixed asset is the amount of all expenses paid by The Group to acquire an asset at the time the asset is put into operation for its intended use.

- Intangible fixed asset recognition

The costs of fixed assets are initially recognized at their costs. The cost of an intangible fixed asset is the amount of all expenses paid by The Group to acquire an asset at the time the asset is put into operation for its intended use.

- Depreciation method

The costs of fixed assets are depreciated on a straight-line method over their estimated useful lives.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

The estimated useful lives are as follows:

	Current year	Previous year
Buildings, structures	5 -15 years	5 -20 years
Machinery and equipment	3 -5 years	3 -5 years
Means of transportations, transmitters	3 -5 years	3 -5 years
Management equipment and devices	2 -5 years	2 -5 years
Computer software	3 years	3 years

4.6 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized during the period time to get ready for its intended use.

The other borrowing costs incurred are recognized as an expense in the profit and loss statement.

4.7 Recognition of accrued expenses and provisions

- Accrued expenses are recognized based on information available at the year-end and estimates by past experience.
- Provision for unemployment funds recognized into expenses at a rate of 3% of basic salary for social insurance contribution.

4.8 Trade payable and other payables

Trade payables are other payables determined The Group's present obligations when The Group receive an asset or join an engagement or arise legal obligations.

4.9 Owner's equity

Dividends

Dividend is recorded as an account payable at the date of declaration.

Reserve funds from profit after tax

Reserve funds are created from the profit after tax in accordance with The Charter of each of Company in The Group.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

4.10 Revenue recognition

Revenue from selling goods is measured at the fair value of the consideration received or receivable. In most cases, revenue is recognized when transferring the risks and rewards of the ownership to the buyer.

Revenue of a transaction involving the rendering of services is recognized when the outcome of this transaction can be estimated reliably. When a transaction involving the rendering of services is attributable to several periods, each period's revenue is recognized by reference to the stage of completion at the balance sheet date.

Profit or loss from investing activities is recognized when sold. It also includes dividends from investments and is recognized when the rights of the shareholders to these dividends are established.

4.11 Taxation

Principles and recognition of current income tax expenses, and deferred income tax expenses: Current tax expenses are defined on basis of taxable income and rate of corporate income tax (CIT) of current year; deferred tax expenses are defined on basis of the deductible temporary differences, taxable temporary differences and estimated CIT rate that will be applied for the years that assets and liabilities will be recovered, and the tax rates using the tax rates (and tax laws) that have been effected at the fiscal year ending.

The tax reports of The Company will be inspected by the Tax Department. Since application of the laws and regulations on tax to the different transactions can be interpreted by many ways; therefore, the tax amounts presented on the financial statements can be changed in accordance with the Tax Department's final decision.

In accordance with the Circular No. 03/2009/TT-BTC issued by Ministry of Finance dated 13 January 2009. The Group will be reduced from CIT by a thirty percent (30 %) of the amount of tax payable for the last quarter of 2008 and the whole year of 2009.

4.12 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

4.13 Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

(The next page is 19)

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

5. Additional information for items shown in the consolidated balance sheet

5.1. Cash and cash equivalents

	Ending balance	Beginning balance
Cash on hand	1,835,961,081	1,636,096,204
Cash in bank	15,892,769,325	5,896,130,965
Cash in transit	-	(746,791,590)
Total	<u>17,728,730,406</u>	<u>6,785,435,579</u>

5.2. Inventories

	Ending balance	Beginning balance
Tools and supplies	12,913,332	-
Merchandise	48,797,493,226	39,365,073,506
Total costs	48,810,406,558	39,365,073,506
Provision for inventory obsolescence	-	-
Net realizable value of inventories	<u>48,810,406,558</u>	<u>39,365,073,506</u>

5.3. Other short-term assets

	Ending balance	Beginning balance
Advance to employees	2,971,434,015	2,916,931,286
Short-term deposits	5,398,599,602	3,477,509,300
Others	3,000,000	-
Total	<u>8,373,033,617</u>	<u>6,394,440,586</u>

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

5.4. Fixed-assets

a. Tangible Fixed-assets

Cost	Building	Machinery and equipment	Means of transportation	Management equipment and devices	Others	Total
Beginning balance	4,159,928,073	7,416,432,116	362,572,832	720,197,974	-	12,659,130,995
Purchase	808,612,438	4,161,924,965	2,910,689,856	1,487,974,327	716,184,837	10,085,386,423
Increase from subsidiaries	-	-	-	177,660,220	-	177,660,220
Self-construction	-	-	-	-	-	-
Disposal	-	(386,263,372)	-	(58,405,196)	-	(444,668,568)
Other decreases	-	-	-	-	(716,184,837)	(716,184,837)
Ending balance	4,968,540,511	11,192,093,709	3,273,262,688	2,327,427,325	-	21,761,324,233
<u>Accumulated depreciation</u>						
Beginning balance	346,660,665	4,529,222,357	70,500,276	358,952,509	-	5,305,335,807
Depreciation	316,258,727	2,065,014,410	294,326,684	459,752,785	51,333,800	3,186,686,406
Increase from subsidiaries	-	-	-	131,473,720	-	131,473,720
Other decreases	-	(143,981,269)	-	(45,707,888)	(51,333,800)	(241,022,957)
Ending balance	662,919,392	6,450,255,498	364,826,960	904,471,126	-	8,382,472,976
<u>Net book value</u>						
Beginning balance	3,813,267,408	2,887,209,759	292,072,556	361,245,465	-	7,353,795,188
Ending balance	4,305,621,119	4,741,838,211	2,908,435,728	1,422,956,199	-	13,378,851,257

Cost of tangible fixed-assets were fully depreciated but still in use are VND 3,707,782,449

The net book value of fixed-assets pledged for loans is VND 6,964,819,768

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

b. Intangible fixed assets

	<i>Land use rights</i>	<i>Computer softwares</i>	<i>Total</i>
<u>Cost</u>			
Beginning balance	11,516,569,200	984,765,880	12,501,335,080
Purchase	-	133,781,450	133,781,450
Disposal	-	-	-
Ending balance	<u>11,516,569,200</u>	<u>1,118,547,330</u>	<u>12,635,116,530</u>
<u>Accumulated depreciation</u>			
Beginning balance	-	537,574,569	537,574,569
Depreciation	-	323,776,609	323,776,609
Disposal	-	-	-
Ending balance	-	<u>861,351,178</u>	<u>861,351,178</u>
<u>Net book value</u>			
Beginning balance	11,516,569,200	447,191,311	11,963,760,511
Ending balance	<u>11,516,569,200</u>	<u>257,196,152</u>	<u>11,773,765,352</u>

The net book value of fixed-assets pledged for loans is VND 11,516,569,200.

c. Construction in progress

	Ending balance	Beginning balance
The systematic integrated center project in Tan Thuan Export processing zone.	9,810,201,346	-
- Land leasing expense	8,975,326,000	-
- Borrowing costs	834,875,346	-
Other	<u>15,471,307</u>	<u>55,224,723</u>
Total	<u>9,825,672,653</u>	<u>55,224,723</u>

According to the commitment No. 175/TTC-NV.07 dated 27 November 2007 with Tan Thuan Co., Ltd, The Company has leased the land at U.12b-16a, Street No.22, Tan Thuan Export Processing Zone with the total rental expense for 34 years of USD 1,080,000. Up to 31 December 2008, The Company has paid 50 percent of total amount equivalent to USD 540,000 and the remainder will be paid within 5 years at the interest rate of 7.5% p.a.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

5.5. Associates

	History Cost	Benefit consolidation	Ending balance
Viet Thanh Cong Communication and Networks Technologies Corporation	3,000,000,000	(638,274,962)	2,361,725,038
Skills Group Corporation	<u>718,950,000</u>	<u>(108,181,238)</u>	<u>610,768,762</u>
Total	<u>3,718,950,000</u>	<u>(746,456,200)</u>	<u>2,972,493,800</u>

5.6. Loans

a. Short-term loans

	Ending balance	Beginning balance
Short term loans	70,428,367,190	46,419,951,018
Current portion of long-term liabilities	<u>1,407,407,407</u>	<u>1,407,407,407</u>
Total	<u>71,835,774,597</u>	<u>47,827,358,425</u>

Short-term loans are the bank borrowings and individuals bearing interest rates from 0.95% to 1.35% per month for VND facilities and from 0.53% to 0.78% per month for USD facilities. These loans are mortgaged by all inventories, accounts receivable of the Group and the tangible fixed assets with net value of VND 2,676,791,980.

b. Long term loans

	Ending balance	Beginning balance
Long term loans	5,629,629,628	8,092,592,592
Minus: Current portion of long-term liabilities	<u>(1,407,407,407)</u>	<u>(1,407,407,407)</u>
Total	<u>4,222,222,221</u>	<u>6,685,185,185</u>

Long-term loans are the borrowing of HSBC, bearing interest rates from 0.95% to 1.75% per month for VND facilities. This loan is mortgaged by the assets created from loans with the net value of VND 15,804,596,988.

Current portion of long-term liabilities in 2009 is VND 1,407,407,407 – refer to note 5.6(a).

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

5.7. Statutory obligations

	Ending balance	Beginning balance
VAT	4,705,464,371	1,012,750,626
Export, import duties	1,229,400,733	119,015,461
Corporation Income Tax	3,960,191,879	931,533,767
Personal income tax	<u>412,644,456</u>	<u>313,784,256</u>
Total	<u>10,307,701,439</u>	<u>2,377,084,110</u>

5.8. Other short-term payables

	Ending balance	Beginning balance
Trade payables (supplier invoices not yet received)	-	1,126,627,730
Social, Health Insurance and Union trade fees	386,660,092	144,164,086
Unearned revenues	800,960,255	-
Others	<u>110,147,600</u>	<u>-</u>
Total	<u>1,297,767,947</u>	<u>1,270,791,816</u>

(The next page is 24)

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

5.9. Owner's equity

a. Changes in owner's equity

	<i>Owner's equity</i>	<i>Capital surplus</i>	<i>Investment & development funds</i>	<i>Financial reserved fund</i>	<i>Undistributed earnings</i>	<i>Bonus and welfare funds</i>	<i>Total</i>	<i>Minority interests</i>	<i>Grand total</i>
Previous year 's beginning	18,000,000,000	-	349,878,228	129,288,777	1,798,540,000	(998,000)	20,276,709,005	-	20,276,709,005
Beginning balance of subsidiaries	-	-	-	-	(156,621,497)	-	(156,621,497)	-	(156,621,497)
Previous year's equity increases	19,563,790,000	7,960,553,900	-	-	-	-	27,524,343,900	110,000,000	27,634,343,900
Profit transferred to equity	-	-	-	-	-	-	-	-	-
Previous year's profit	-	-	-	-	3,988,775,988	-	3,988,775,988	-	3,988,775,988
Dividend	-	-	-	-	(1,419,900,000)	-	(1,419,900,000)	-	(1,419,900,000)
Profit transferred to reserves	-	-	-	-	-	-	-	-	-
Payments from funds	-	-	-	(35,868,900)	-	(4,074,000)	(39,942,900)	-	(39,942,900)
Loss from increased minority interests	-	-	-	-	(5,149,638)	-	(5,149,638)	5,149,638	-
Others	-	-	-	-	(15,135,284)	5,072,000	(10,063,284)	-	(10,063,284)
Current year beginning balance	37,563,790,000	7,960,553,900	349,878,228	93,419,877	4,190,509,569	-	50,158,151,574	115,149,638	50,273,301,212
Beginning balance of subsidiaries	-	-	11,607,365	-	(48,394,026)	-	(36,786,661)	3,426,000,000	3,389,213,339
Current year's profit	-	-	-	-	10,986,928,070	-	10,986,928,070	159,474,295	11,146,402,365
Dividend	-	-	-	-	(7,402,681,000)	-	(7,402,681,000)	-	(7,402,681,000)
Profit transferred to reserves	-	-	-	545,814,190	(545,814,190)	-	-	-	-
Payments from funds	-	-	-	(113,523,898)	-	-	(113,523,898)	-	(113,523,898)
Loss from increased minority interests	-	-	(5,384,860)	-	27,600,474	-	22,215,614	(22,215,614)	-
Others	-	-	-	-	115,016,198	-	115,016,198	-	115,016,198
Current year 's ending balance	37,563,790,000	7,960,553,900	356,100,733	525,710,169	7,323,165,095	-	53,729,319,897	3,678,408,319	57,407,728,216

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

b. Details of owner's equity

	Ending balance		Beginning balance	
	VND	Ratio(%)	VND	Ratio(%)
Founder shareholders	19,586,900,000	52,14	19,367,500,000	51,56
Othershareholders	17,976,890,000	47,86	18,196,290,000	48,44
Total	37,563,790,000	100,00	37,563,790,000	100,00

c. Dividends

Dividend payments in 2008 were as follows:

<i>Dividend payments</i>	<i>VND</i>
2007 dividends (14%)	3,646,302,000
Advance for 2008 dividend (10%)	3,756,379,000
Total	7,402,681,000

d. Shares

	Ending balance	Beginning balance
Authorized shares	3,756,379	3,756,379
Issued shares	3,756,379	3,756,379
+ Ordinary shares	3,756,379	3,756,379
+ Preference shares	-	-
Treasury shares		
+ Ordinary shares	-	-
+ Preference shares	-	-
Outstanding shares	3,756,379	3,756,379
+ Ordinary shares	3,756,379	3,756,379
+ Preference shares	-	-

Par value of an outstanding share is VND 10,000. Each share is entitled to one vote at the shareholders' meeting of the Group. All ordinary shares carry the equal right to share in the residual assets of The Group.

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

e. Earning per shares

	Current year	Previous year
Net profit after corporate income tax of The Parent company's shareholders	10,986,928,078	3,983,626,350
Weighted average number of ordinary shares	<u>3,756,379</u>	<u>2,603,975</u>
Earning per shares (EPS)	<u>2,925</u>	<u>1,530</u>

6. Additional information for items shown in the consolidated income statement

6.1. Financial income

	Current year	Previous year
Income from capital transfer	7,200,000,000	-
Others	<u>684,098,166</u>	<u>317,238,943</u>
Total	<u>7,884,098,166</u>	<u>317,238,943</u>

6.2. Financial expenses

	Current year	Previous year
Interest expenses	9,917,682,644	4,218,621,898
Losses on realized and unrealized foreign exchange rate differences	5,703,329,894	437,017,041
Others	<u>11,350,776</u>	<u>-</u>
Total	<u>15,632,363,314</u>	<u>4,655,638,939</u>

(The next page is 27)

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

6.3. Selling expenses

	Current year	Previous year
Employee expenses	9,746,062,608	8,147,084,194
Materials and package expenses	14,719,294	21,673,600
Tools and supplies	37,062,391	289,454,344
Office stationery expenses	207,959,476	-
Lecturer lease expenses	1,189,594,704	28,900,000
Collaboration expenses	82,378,170	-
Depreciation expenses	588,635,525	172,920,045
Warranty expenses	233,186,180	212,070,887
Traveling expenses	-	23,403,000
Advertising, marketing expenses	154,943,850	-
Outside expenses	1,267,216,251	465,141,567
Pre-sale expenses	3,206,386,161	1,875,051,120
Turnover based bonus	-	392,411,808
Others	<u>5,432,176,065</u>	<u>4,020,491,241</u>
Total	<u>22,160,320,675</u>	<u>15,648,601,806</u>

(The next page is 28)

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

6.4. Administration expenses

	Current year	Previous year
Employee expenses	17,077,065,229	7,312,377,687
Equipment expenses	1,195,654,025	1,062,589,845
Office stationery expense	473,962,037	356,038,077
Depreciation expenses	2,155,997,047	2,529,002,450
Taxation, fee and charges	291,663,822	7,775,200
Company established expenses	343,317,353	-
Provision expenses	240,402,115	-
Money transfer expenses	-	55,967,766
Outside expenses	5,163,330,733	2,288,947,618
Others	<u>4,390,816,154</u>	<u>2,125,062,473</u>
Total	<u>31,332,208,515</u>	<u>15,737,761,116</u>

6.5. Other income

	Current year	Previous year
Disposals and sales of fixed assets	54,343,365	2,629,702,822
Award from Cisco Company	804,763,187	1,223,796,214
Reversal of Expenses	171,463,115	-
Other	<u>215,419,981</u>	<u>232,674,980</u>
Total	<u>1,245,989,648</u>	<u>4,086,174,016</u>

(The next page is 29)

SAOBACDAU TECHNOLOGIES CORPORATION AND SUBSIDIARIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended on 31 December 2008

Expressed in Vietnam dong unless otherwise stated

6.6. Other expenses

	Current year	Previous year
Expenses from disposal of fixed assets	43,205,376	4,038,782,896
Penalty, compensation	289,064,440	-
Doubtful debts written - off	229,711,106	-
Others	300,208,802	274,397
Total	862,189,724	4,039,057,293

6.7. Current tax expenses

	Current year	Previous year
Current income tax expenses relating to current taxable income	4,328,957,649	1,563,895,340
Adjustments of tax expenses of previous years	-	32,669,171
Total	4,328,957,649	1,596,564,511

7. Other information

7.1. Events after the balance sheet date

There were no significant events incurred after the balance sheet date to the date of the consolidated financial statements.

7.2. Other information

The consolidated financial statements for the year ended on 31 December 2008 were authorized for issue by Chief Executive Officer on 31 March 2009.

31 March 2009

CHIEF ACCOUNTANT

HO THI HONG HANH

CHIEF EXECUTIVE OFFICER



TRAN ANH TUAN