

**VINH SON-SONG HINH HYDRO-POWER
JOINT STOCK COMPANY**

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

For the year ended 31 December 2008



TABLE OF CONTENTS

<u>CONTENTS</u>	<u>PAGE(S)</u>
STATEMENT OF THE BOARDS OF MANAGEMENT AND DIRECTORS	1 – 2
AUDITORS' REPORT	3
CONSOLIDATED BALANCE SHEET	4 – 5
CONSOLIDATED INCOME STATEMENT	6
CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	8 – 20

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STATEMENT OF THE BOARDS OF MANAGEMENT AND DIRECTORS

The Boards of Management and Directors of Vinh Son – Song Hinh Hydro-power Joint Stock Company (“the Company”) present this report together with the Company’s audited consolidated financial statements for the year ended 31 December 2008.

THE BOARDS OF MANAGEMENT AND DIRECTORS

The members of the Boards of Management and Directors of the Company who held office during the year and at the date of this report are as follows:

Board of Management

Mr. Nguyen Duc Doi	Chairman
Mr. Tran Le Canh	Member (resigned on 1 May 2008)
Mr. Trinh Van Tuan	Member
Mr. Vo Thanh Trung	Member
Ms. Dang Thi Hong Phuong	Member
Mr. Nguyen Van Thanh	Member (appointed on 1 May 2008)

Board of Directors

Mr. Tran Le Canh	Director (resigned on 1 May 2008)
Mr. Vo Thanh Trung	General Director (appointed on 1 May 2008)
Mr. Nguyen Van Thanh	Deputy General Director
Mr. Do Phong Thu	Deputy General Director

THE BOARDS OF MANAGEMENT AND DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Management is entitled to the ultimate power to exercise all rights and obligations on behalf of the Company, except for rights relating to the Board of Shareholders.

The Board of Directors of the Company is responsible for preparing the consolidated financial statements of each year, which give a true and fair view of the consolidated financial position of the Company and of its consolidated results and cash flows for the year. In preparing these consolidated financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing the consolidated financial statements so as to minimise errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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STATEMENT OF THE BOARD OF DIRECTORS (Continued)

The Board of Directors confirms that the Company has complied with the above requirements in preparing these consolidated financial statements.

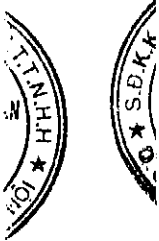
The Board of Management confirms that these consolidated financial statements for the year 2008 were read and approved by the Board of Management.

For and on behalf of the Boards of Management and Directors,



Nguyen Duc Doi
Chairman
05 February 2009

Vo Thanh Trung
General Director
05 February 2009



CONSOLIDATED BALANCE SHEET

As at 31 December 2008

FORM B 01-DN

Unit: VND

ASSETS	Codes	Notes	31/12/2008	31/12/2007
A. CURRENT ASSETS	100		993,925,785,411	833,437,565,164
I. Cash and cash equivalents	110	4	47,989,060,180	228,783,514,656
1. Cash	111		4,989,060,180	15,783,514,656
2. Cash equivalents	112		43,000,000,000	213,000,000,000
II. Short-term financial investments	120		825,685,326,000	510,685,326,000
1. Short-term investments	121	5	825,685,326,000	510,685,326,000
III. Short-term receivables	130		99,349,590,941	70,557,595,420
1. Trade accounts receivable	131		60,323,574,046	62,355,638,460
2. Advances to suppliers	132		2,363,319,258	2,861,000,000
3. Other receivables	135		36,662,697,637	5,340,956,960
IV. Inventories	140	6	20,832,364,290	23,361,815,088
1. Inventories	141		26,026,668,899	25,361,815,088
2. Provision for devaluation of inventories	149		(5,194,304,609)	(2,000,000,000)
V. Other short-term assets	150		69,444,000	49,314,000
1. Short-term prepayments	151		25,344,000	-
2. Other short-term assets	158		44,100,000	49,314,000
B. NON-CURRENT ASSETS	200		1,489,324,555,639	1,626,011,569,817
I. Tangible fixed assets	220		1,478,057,271,097	1,614,583,801,378
1. Tangible fixed assets	221	7	1,421,966,826,897	1,572,542,635,693
- Cost	222		2,897,221,819,557	2,896,959,420,174
- Accumulated depreciation	223		(1,475,254,992,660)	(1,324,416,784,481)
2. Construction in progress	230	8	56,090,444,200	42,041,165,685
II. Long-term financial investments	250		9,968,708,390	10,419,390,818
1. Investments in associates	252	9	9,968,708,390	10,419,390,818
III. Other non-current assets	260		1,298,576,152	1,008,377,621
1. Long-term prepayments	261	10	-	448,377,621
2. Deferred tax assets	262		1,298,576,152	560,000,000
TOTAL ASSETS	270		2,483,250,341,050	2,459,449,134,981

The notes set out on pages 8 to 20 are an integral part of these consolidated financial statements

VINH SON – SONG HINH HYDRO-POWER JOINT STOCK COMPANY

21 Nguyen Hue Street, Quy Nhon City
Binh Dinh Province, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2008

FORM B 01-DN
Unit: VND

RESOURCES	Codes	Notes	31/12/2008	31/12/2007
A. LIABILITIES	300		340,832,602,327	437,162,947,761
I. Current liabilities	310		115,838,468,947	123,155,615,830
1. Short-term borrowings and liabilities	311	11	104,221,606,286	101,278,983,589
2. Trade accounts payable	312		1,307,578,287	12,782,190,861
3. Advances from customers	313		155,000,000	599,800,517
4. Taxes and amounts payable to the State budget	314	12	6,942,257,508	5,975,545,689
5. Payables to employees	315		2,114,960,684	1,435,825,111
6. Accrued expenses	316		956,067,682	1,014,334,363
7. Other current payables	319		140,998,500	68,935,700
II. Long-term liabilities	330		224,994,133,380	314,007,331,931
1. Long-term loans and liabilities	334	13	224,812,990,511	313,900,758,796
2. Provision for severance allowance	336		181,142,869	106,573,135
B. EQUITY	400		2,142,417,738,723	2,022,286,187,220
I. Shareholders' equity	410		2,141,119,982,272	2,020,949,381,547
1. Charter capital	411	14	1,374,942,580,000	1,374,942,580,000
2. Share premium	412		370,660,568,000	370,660,568,000
3. Investment and development funds	417		71,500,000,000	-
4. Financial reserve funds	418		14,380,000,000	14,380,000,000
5. Retained earnings	420	14	309,636,834,272	260,966,233,547
II. Other resources and funds	430		1,297,756,451	1,336,805,673
1. Bonus and welfare funds	431		677,236,047	662,444,632
2. Funds for fixed assets acquisition	433		620,520,404	674,361,041
TOTAL RESOURCES	440		2,483,250,341,050	2,459,449,134,981

OFF BALANCE SHEET ITEMS

Goods held under trust

31/12/2008	31/12/2007
163,316,733	163,316,733



Vo Thanh Trung
General Director
5 February 2009

Le Van Chuong
Preparer

The notes set out on pages 8 to 20 are an integral part of these consolidated financial statements

VINH SON – SONG HINH HYDRO-POWER JOINT STOCK COMPANY

21 Nguyen Hue Street, Quy Nhon City
Binh Dinh Province, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

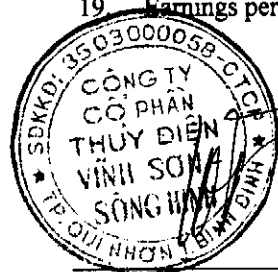
CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

FORM B 02-DN

Unit: VND

ITEMS	Codes	Notes	2008	2007
1. Gross sales of merchandise	01	15	483,680,050,837	370,161,500,494
2. Less deductions	02		-	-
3. Net sales of merchandise	10		483,680,050,837	370,161,500,494
4. Cost of goods sold	11	16	177,684,637,332	168,039,781,307
5. Gross profit from sales of merchandise	20		305,995,413,505	202,121,719,187
6. Financial income	21	17	100,549,005,370	75,835,030,553
7. Financial expenses	22	17	26,545,200,871	15,980,350,469
- Include: Interest expenses	23		10,620,290,844	15,392,208,930
8. Selling expenses	24		-	-
9. General and administration expenses	25		10,168,033,018	7,606,242,659
10. Operating profit	30		369,831,184,986	254,370,156,612
11. Other income	31		71,590,905	11,755,041
12. Other expenses	32		21,066,364	2,727,270
13. Profit from other activities	40		50,524,541	9,027,771
14. Profit in associates	41		324,965,572	1,902,200,959
15. Accounting profit before tax	50		370,206,675,099	256,281,385,342
16. Current tax expense	51		-	-
17. Deferred tax income	52		738,576,152	560,000,000
18. Net profit after tax	60		370,945,251,251	256,841,385,342
19. Earnings per share	70	18	2,698	2,039



Vo Thanh Trung
General Director
5 February 2009

Le Van Chuong
Preparer

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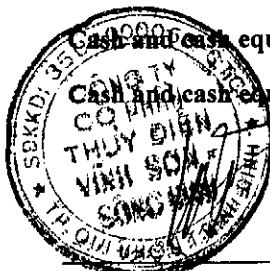
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

FORM B 03-DN

Unit: VND

ITEMS	Codes	2008	2007
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	370,206,675,099	256,281,385,342
2. Adjustments for:		115,727,658,860	87,416,407,791
- Depreciation and amortisation	02	151,291,990,918	147,477,567,353
- Provisions	03	3,194,304,609	2,000,000,000
- Losses from unrealized foreign exchange differences	04	15,133,838,102	283,863,020
- Gains from investing activities	05	(64,512,765,613)	(77,737,231,512)
- Interest expense	06	10,620,290,844	15,392,208,930
3. Operating profit before movements in working capital	08	485,934,333,959	343,697,793,133
- (Increase) in receivables	09	(28,476,418,221)	(40,121,405,361)
- Decrease in other non-current assets	09	-	720,057,364
- (Increase) in inventories	10	(664,853,811)	(123,959,044)
- (Decrease) increase in accounts payable	11	(10,288,812,404)	4,130,941,702
- (Increase)/ Decrease in prepaid expenses	12	423,033,621	(66,297,974)
- Interest paid	13	(10,509,557,525)	(14,546,874,567)
- Other cash inflows	15	12,214,000	695,948,594
- Other cash outflows	16	(3,187,194,711)	(2,064,954,000)
Net cash from operating activities	20	433,242,744,908	292,321,249,847
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(15,281,095,835)	(41,337,707,349)
2. Proceeds from sales of fixed assets	22	42,500,000	-
3. Cash outflow for lending and buying debt instruments of other companies	23	(1,105,000,000,000)	(452,945,326,000)
4. Cash recovered from lending and selling debt instruments of other companies	24	790,000,000,000	49,937,456,000
5. Interest income, dividends and profit received	27	64,920,948,041	20,896,775,770
Net cash used in investing activities	30	(265,317,647,794)	(423,448,801,579)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from receiving capital from owners	31	-	505,536,148,000
2. Repayments of borrowings	34	(101,278,983,690)	(123,452,008,238)
3. Dividends and profit paid	36	(247,440,567,900)	(74,931,764,300)
Net cash used in financing activities	40	(348,719,551,590)	307,152,375,462
Net increase (decrease) in cash and cash equivalents	50	(180,794,454,476)	176,024,823,730
Cash and cash equivalents at beginning of year	60	228,783,514,656	52,758,690,926
Cash and cash equivalents at end of year	70	47,989,060,180	228,783,514,656



Vo Thanh Trung
General Director
5 February 2009

Le Van Chuong
Preparer

The notes set out on pages 8 to 20 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 09 – DN

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

1. GENERAL INFORMATION

Structure of ownership

Vinh Son - Song Hinh Hydro-power Joint Stock Company is incorporated in Vietnam as a joint stock company which was converted from Vinh Son – Song Hinh Hydro Power Plant, a State-owned enterprise (“the Plant”). Previously, the Plant was a dependent accounting unit of Electricity of Vietnam (“EVN”).

According to Decision No. 219/QD-TTg dated 28 October 2003 issued by the Prime Minister approving the general plan for renovation of State-owned Enterprises under Electricity of Vietnam in the period from 2003 to 2005 and Decision No. 2992/QD-TCCB of the Ministry of Industry on capitalising Vinh Son - Song Hinh Hydro-Power Plant. The Plant is responsible for proceeding capitalisation in 2004. On 2 December 2004, the Ministry of Industry issued Decision No.151/2004/QD-BCN on converting Vinh Son - Song Hinh Hydro Power Plant into Vinh Son - Song Hinh Hydro-power Joint Stock Company.

On 4 May 2005, the Plant officially started operating under the model of a joint stock company and under the name of Vinh Son - Song Hinh Hydro-power Joint Stock Company. The Company’s Business Certification No. 3503000058 was issued by the Department of Planning and Investment of Binh Dinh Province on 4 May 2005, as amended.

On 7 July 2005, the Company was granted certificate to trade in Hanoi Stock Trading Center in accordance with Decision No. 01/QD-TTGDHN. On 28 June 2006, the Company was granted certificate to be listed in Ho Chi Minh City Stock Exchange in accordance with Decision No. 54/UBCK-GDNY issued by the State Securities Committee.

The Company had 122 employees as at 31 December 2008 (2007: 127).

Operating industry and principal activities

The Company operates in hydroelectricity industry (two hydro-power plants of Vinh Son and Song Hinh). All of the Company’s electricity output is directly sold to EVN.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

The consolidated financial statements incorporate the financial statements of the Company and its associate, Binh Dinh Tourist Joint Stock Company using the equity method of accounting in accordance with Vietnamese Accounting Standard No. 07 – *Accounting for investments in associates*.

The consolidated financial statements have been translated from those issued in Vietnam, from the Vietnamese language into the English language.

Accounting period

The Company’s financial year begins on 1 January and ends on 31 December.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing accounting regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the associate. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised.

Where a member company transacts with an associate of the Company, unrealised profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories which have a book value higher than net realisable value as at the balance sheet date.

The Company's inventories mainly include materials and spare parts for two electricity generators in Vinh Son hydro-power plant and Song Hinh hydro-power plant. These specialised materials and spare parts are used to replace synchronous generators and have been stored since the installation of these generators (in Vinh Song hydro-power plant in 1995 and in Song Hinh hydro-power plant in 2000). Provision for devaluation of inventories for these materials were made since 2007 based on accounting estimates for impaired materials.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

*These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	2008 (Years)
Buildings and structures	20 – 50
Machinery and equipment	8 – 10
Office equipment	5 – 10
Motor vehicles	5 – 10

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Investments in securities

Investments in securities are recognised on trade dates and are initially measured at cost including directly attributable transaction costs.

At the subsequent reporting dates, investments in securities are measured at cost, less diminution in value of investments in securities.

Provision for diminution in value of investments in securities is made in accordance with current prevailing accounting regulations which allow provision to be made for freely traded securities whose book value is higher than market price as at the balance sheet date.

Long-term prepayments

Other types of long-term prepayments comprise small tools and spare parts incurred which are expected to provide future economic benefits to the Company for more than one year. These expenditures have been capitalised as long-term prepayments, and are allocated to consolidated income over the period of two years in accordance with the current prevailing accounting regulations.

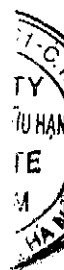
Revenue recognition

Revenue is recognised when the outcome of such transactions can be measured reliably and it is probable that the economic benefits associated with the transactions will flow to the Company. Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised by reference to the completion of the transaction at the balance sheet date.

Revenue of electricity is recognised monthly upon certification by EVN on the volume of electricity transmitted via the national electricity grid line regardless whether money is collected or not.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest applicable rate.

Income from investments is recognised when the Company's right to receive payments, which have been established.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FORM B 09 – DN***These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***Foreign currencies**

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are recognised in the consolidated income statement.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences arising from the translation of these accounts are recognised in the consolidated income statement. Unrealised exchange gains at the balance sheet date are not treated as part of distributable profit to shareholders.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

All other borrowing costs are recognised in the income statement when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

As regulated in Decree No.164/2003-ND-CP dated 22 December 2003 issued by the Government, Circular No. 128/2003/TT-BTC dated 22 December 2003 issued by the Ministry of Finance, Decree No. 108/2006/ND-CP dated 22 September 2006, Official Letter No. 5248/TC-CST dated 29 April 2005, Official Letter No. 11924/TC-CST dated 20 October 2004, and Official Letter No. 1591/TCT/DNNN dated 4 May 2006 issued by the General Department of Taxation, the Company is obliged to pay corporate income tax at the rate of 10% of its assessable income in 15 years from the establishment. The Company is entitled to tax exemption in 6 years from the first profit-making year and a 50% reduction in tax payable for 6 years thereafter. The year 2008 is the fourth profit-making year of the Company, thus, the Company is exempted from corporate income tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

4. CASH AND CASH EQUIVALENTS

	31/12/2008	31/12/2007
	VND	VND
Cash on hand	265,438,462	92,860,566
Cash in bank	4,723,621,718	15,690,654,090
Cash equivalents (i)	43,000,000,000	213,000,000,000
	47,989,060,180	228,783,514,656

(i) Cash equivalents include time deposits with term of less than three months and a fund in the amount of VND20,000,000,000 with a term of three months trusted to IPA Investments Corporation for investment. By 25 March 2009, the due date of this trusted fund, the Company has a right to transfer the portfolio to IPA Investments Corporation at the price by the original cost multiplied with 102.5%.

5. SHORT-TERM INVESTMENTS

	31/12/2008	31/12/2007
	VND	VND
Short-term investments in securities (i)	30,685,326,000	30,685,326,000
Other short-term investments include:	795,000,000,000	480,000,000,000
- Over three-month deposits	175,000,000,000	250,000,000,000
- Loan to Electricity of Vietnam (EVN) (ii)	500,000,000,000	-
- Trusted funds (iii)	35,000,000,000	150,000,000,000
- Others (iv)	85,000,000,000	80,000,000,000
	825,685,326,000	510,685,326,000

(i) In 2005, the Company bought 5 million shares of Pha Lai Thermo-Electricity JSC (equivalent to 1.6% of Pha Lai Thermo-Electricity JSC's charter capital) in the amount of VND51 billion. In 2006 and 2007, the Company transferred 2,166,670 shares and received total profit of VND92.56 billion. In 2007, the Company received 178,536 shares as dividends distributed. As at 31 December 2008, the Company owned 3,011,866 shares of Pha Lai Thermo-Electricity JSC and this volume of shares has not been changed during the year.

(ii) Loan to Electricity of Vietnam (EVN) with the interest of 17%/year and the duration of 12 months from the disbursement date.

(iii) A fund in the amount of VND35,000,000,000 trusted to SSI Asset Management Company to invest will be due on 28 May 2009. Under the contract, the Company will receive fixed interest income. Up to January 2009, the Company's portfolio included 340,000 Government bonds.

(iv) Other short-term investments include:

- An amount of VND35,000,000,000 trusted to EVN Finance Joint Stock Company with the duration of 12 months. This trusted fund will be due on 10 December 2009 with the fixed interest rate of 10%/year;
- An investment co-operation fund with Vietnam International Securities Joint Stock Company (VIS) from 28 January 2008, extended by 3 May 2009, with the interest rate of 17%/year. Up to January 2009, this amount has been invested in the bonds of Vietnam Machinery Erection Corporation (Lilama).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

6. INVENTORIES

	31/12/2008	31/12/2007
	VND	VND
Raw materials	25,445,085,443	24,584,487,880
Work in progress	581,583,456	777,327,208
	26,026,668,899	25,361,815,088
Provision for devaluation of inventories	(5,194,304,609)	(2,000,000,000)
Net realisable value	20,832,364,290	23,361,815,088

Provision for devaluation of inventories is made for materials and spare parts for two electricity generators in Vinh Son hydro-power plant and Song Hinh hydro-power plant. These specialised materials and spare parts are used to replace synchronous generators and have been stored since the installation of these generators (in Vinh Song hydro-power plant in 1995 and in Song Hinh hydro-power plant in 2000). Provision for devaluation of inventories for these materials has been made since 2007 based on accounting estimates for impaired materials.

Provision for devaluation of inventories is recognized in general and administration expenses under specialized accounting guidances applied to electricity industry.

7. TANGIBLE FIXED ASSETS

	Buildings and structures '000VND	Machinery and equipment '000VND	Office Equipment '000VND	Motor Vehicles '000VND	Total '000VND
COST					
As at 01/01/2008	2,047,613,934	825,928,612	1,676,326	21,740,549	2,896,959,420
Additions	-	509,951	160,658	507,367	1,177,977
Disposals	-	-	-	(600,000)	(600,000)
Decrease due to finalization	(315,577)	-	-	-	(315,577)
As at 31/12/2008	2,047,298,356	826,438,563	1,836,984	21,647,916	2,897,221,820
ACCUMULATED DEPRECIATION					
As at 01/01/2008	(774,717,563)	(531,953,391)	(1,160,021)	(16,585,810)	(1,324,416,784)
Charge for the year	(68,223,262)	(81,890,851)	(184,009)	(1,140,085)	(151,438,208)
Disposals	-	-	-	600,000	600,000
As at 31/12/2008	(842,940,825)	(613,844,242)	(1,344,030)	(17,125,895)	(1,475,254,993)
NET BOOK VALUE					
As at 31/12/2008	1,204,357,531	212,594,321	492,954	4,522,021	1,421,966,827
As at 31/12/2007	1,272,896,371	293,975,221	516,305	5,154,739	1,572,542,636

As stated in Note 13, according to Mortgage Contract No. 01/2006/HDTCTS-TL dated 12 April 2006, the Company has pledged its assets in Song Hinh hydro-power plant with the net book value of VND 515,063,495,873 as at 31 December 2008 (31/12/2007: VND560,056,268,141) to secure the loans from Phu Yen Development Fund, currently known as the Bank for Development, Phu Yen Branch.

The costs of the Company's buildings and structures, machinery and equipment, motor vehicles and office equipment, which have been fully depreciated but which are still in use, are VND9,142,082,278; VND1,897,777,129; VND9,899,602,400 and VND590,232,288, respectively (2007: VND7,715,774,000; VND1,897,777,129; VND5,970,514,776 and VND590,232,288).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

8. CONSTRUCTION IN PROGRESS

	2008	2007
	VND	VND
As at 1 January	42,041,165,685	143,403,931,974
Additions	17,227,226,117	51,873,613,159
Temporarily transferred to tangible fixed assets	-	(150,000,000,000)
Transferred to regular repairing expenses	(3,177,947,602)	(3,236,379,448)
As at 31 December	56,090,444,200	42,041,165,685
Construction in progress includes:	31/12/2008	31/12/2007
	VND	VND
Reservoir C - Vinh Son Hydro plant (i)	5,374,696,606	6,352,298,686
Operation and Management Road for Vinh Son 110kV grid line and Binh Dinh Bypass	-	104,542,195
Thuong Kontum Hydro-power project (ii)	42,080,661,024	34,988,180,367
Vinh Son 2&3 Hydro-power projects (iii)	8,009,606,020	424,969,156
Dong Cam Hydro-power project (iv)	180,645,860	170,329,681
Project for capacity improvement of Vinh Son reservoir (v)	444,834,690	845,600
	56,090,444,200	42,041,165,685

- (i) The Company continues to invest in the project of Reservoir C - Vinh Son hydro-power plant. According to Decision on approving Feasibility Study No. 14/QD-EVN-HDQT-TD dated 14 January 2002 by Electricity of Vietnam ("EVN"), the construction is built on a bank of Dakdingdong river (Upstream of Dinh Ba River) in Dakroong Commune, Kbang District, Gia Lai Province with the total investment capital of VND 217.1 billion. The construction is expected to irrigate water from Reservoir C in upstream of Dinh Ba River to existing Reservoir B of Vinh Son hydro-power plant in order to enhance the capacity and increase the average monthly electricity volume of the plant by 78.2 million kWh. On 16 June 2003, EVN approved technical design and estimation of the construction of VND 203.94 billion (including VAT). In 2007, the Company temporarily accounted for an increase in tangible fixed assets of VND128 billion. Water has been irrigated from Reservoir C to Reservoir B.
- (ii) Thuong Kon Tum project is the construction carried out on hydro-power terrace of Se San river. The construction includes reservoir, main irrigation system on the bank of Dak Nghe river, valley of Se San river, passing through two communes of Dak Koi of Kon Ray district and Dak Tang of Kongplong district; a power plant located on one side of Dak Lo river, Dak Tang and Ngoc Tem communes, Kongplong district, valley of Tra Khuc River, Quang Ngai province. The project was approved in Official letter No. 1774/TTg-CN dated 1 November 2006 issued by the Prime Minister, the previous investor, EVN will transfer the project to the Company in accordance with Document No. 32EVN/HDQT dated 13 January 2006 issued by EVN; the Hydro Power Management Board No. 4, on behalf of EVN, to hand over all legal, technical, and financial documents relating to the project in accordance with Official Letter No. 6421/CV-EVN-KH dated 29 November 2006 issued by EVN and the handover minute dated 1 January 2007. On 27 March 2007, the Company paid to EVN for all the accumulated expenses for the preparation stage of this project from 2002 to 2006 of approximately VND 19,330,450,930.
- (iii) Vinh Son 2&3 Hydro-power projects were granted Investment Certificates dated 7 November 2007 issued by Binh Dinh People's Committee. The Company has prepared investment plan, organized assessment of project file and submitted to the Ministry of Industry and Trade considering design of the project. The Ministry of Natural Resources and Environment issued Decision No. 1711/QD-BTNMT dated 28 August 2008 approval on the assessment report of environmental effects of the project.
- (iv) Dong Cam Hydro-power project: The project is under planning stage and investment registration stage under orders of construction in progress. Currently, the local authorities are considering in conjunction with the general plan of water supply for economic zones located in the South of Phu Yen Province.
- (v) Project for capacity improvement of Vinh Son reservoir: The project is under topographic and geologic survey stage to prepare investment plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

9. INVESTMENTS IN ASSOCIATES

Details of the Company's associate at 31 December 2008 are as follows:

<u>Name of associate</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
Binh Dinh Tourist Joint Stock Company	Quy Nhon City, Binh Dinh Province	49.72%	49.72%	Tourism, hotel, travelling, etc.

Summarized financial information of the Company's associate and the Company's share of associate's net assets are set out below:

	<u>31/12/2008</u>	<u>31/12/2007</u>
	VND	VND
Total assets	22,812,179,962	24,655,380,808
Total liabilities	2,762,484,890	3,699,677,091
Net assets	<u>20,049,695,072</u>	<u>20,955,703,717</u>

Details as follows:

Capital contributed in associate	19,500,000,000	19,500,000,000
Share premium	600,000,000	600,000,000
Other funds	6,341,197	19,351,197
Retained earnings (accumulated losses)	(56,646,125)	836,352,520
Ownership proportion of the Company	49,72%	49,72%
The Company's share of associate's net assets	9,968,708,390	10,419,390,818

During the consolidation, profit of the associate is recognized in the consolidated income statement for the year 2008 in the amount of VND324,965,572 (2007: VND1,902,200,959).

Details of revenue and net profit of the associate are as follows:

	<u>2008</u>	<u>2007</u>
	VND	VND
Revenue	18,736,839,357	16,292,181,721
Net profit	2,237,230,393	3,047,606,559

10. LONG-TERM PREPAYMENTS

	<u>2008</u>	<u>2007</u>
	VND	VND
As at 1 January	448,377,621	382,079,647
Additions	-	132,595,949
Allocated to expenses during the year	(448,377,621)	(66,297,975)
As at 31 December	<u>-</u>	<u>448,377,621</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

11. SHORT-TERMS BORROWINGS AND LIABILITIES

	31/12/2008	31/12/2007
	VND	VND
Current portion of long-term loans		
BIDV - Phu Yen Branch	31,232,323,296	32,000,000,000
The Bank for Development - Phu Yen Branch	72,989,282,990	69,278,983,589
	<u>104,221,606,286</u>	<u>101,278,983,589</u>

12. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2008	31/12/2007
	VND	VND
Value added tax	4,946,495,592	4,168,159,894
Natural resources tax	1,415,713,755	1,464,640,050
Others	580,048,161	342,745,745
	<u>6,942,257,508</u>	<u>5,975,545,689</u>

13. LONG-TERM LOANS AND LIABILITIES

	31/12/2008	31/12/2007
	VND	VND
BIDV - Phu Yen Branch (i)	-	31,320,611,336
The Bank for Development - Phu Yen Branch (ii)	224,812,990,511	282,580,147,460
	<u>224,812,990,511</u>	<u>313,900,758,796</u>

(i) **The Bank for Development and Investment of Vietnam (BIDV), Phu Yen Branch**

This loan was transferred to the Company from Vinh Son – Song Hinh hydro-power plant, a state-owned enterprise (the Plant) at the time of change in ownership form. Previously, the plant received this loan from the Management Board of Song Hinh hydro-power plant Project and upon the hand over of Song Hinh hydro-power plant in accordance with Decision No. 279/QĐ-EVN-HDQT dated 5 August 2004 of the Board of Management of EVN approving the final accounts of investment for Song Hinh hydro-power plant. The loan is signed under long-term credit contract No. 01/2000/HD (Registered at Bank No. 01/0075) dated 14 August 2000 between BIDV, Phu Yen Branch (the lender) and the Board of Management of Song Hinh hydro-power plant (the borrower).

The loan term is 10 years from the first drawdown to the date when the loan is fully paid. The loan bears interest rate of 5.4% p.a. (effective from 1 June 2001) and is payable from July 2003. Principal amounts are paid on the quarterly basis, which is changed from time to time. Assets acquired from the loan capital are used to secure banking facilities. However, up to 31 December 2008, the mortgage contract had not been signed between the two sides.

(ii) **The Bank for Development, Phu Yen Branch**

The loan is in foreign currency (USD) received by the Company from Vinh Son – Song Hinh hydro-power plant, a state-owned enterprise (the Plant) at the time of change in ownership form.

On 22 November 2005, the Company signed an ODA credit contract No. 01/TDNN with Development Fund, Phu Yen Branch, currently the Bank for Development, Phu Yen Branch to receive loan to invest into Song Hinh Hydro-Power Plant Project in the total amount of USD 34,654,946.2 including:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

*These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements***13. LONG-TERM LOANS AND LIABILITIES (Continued)**

- The loan from SIDA Organization (based in Sweden) in the amount of USD15,551,457.45, bearing no interest but administration fee of 0.2% of the loan balance per year. Principal is payable twice a year on 1 June and 1 December, equally in five years. Principal of USD 1,555,145.75 will be paid per each installment. The first payment is on 1 June 2005 and the last payment is on 1 December 2009. Overdue interest rate is equivalent to 9% per year.
- The loan from Northern Development Funds (NDF) in the amount of USD 8,378,301.48, bearing no interest rate but administration fee of 0.2% of the loan balance per year. Principal is payable twice a year on every 1 June and 1 December in 30 years (from 2005 to 2035). From 2005 to 2014, loan payable is equivalent to 2% of the principal (i.e. USD 83,873.01 per each installment). From 2015 to the date of the loan is fully settled, the loan payable is equivalent to 4% of the principal (i.e. USD 167,566.02 per each installment). The first payment is on 1 December 2005 and the last payment is on 1 June 2035. Overdue interest rate is equivalent to 3% per year.
- The loan from Northern Investment Bank (NIB) in the amount of USD 10,725,187.27, bearing interest rate of LIBOR plus margin rate. The specific rate will be periodically informed by NIB. The administration fee is 0.2% per year of the loan balance. Principal is payable twice a year on every 1 June and 1 December in 10 years (from 2005 to 2015) in the amount of USD 510,723.21 per each installment. The first payment is on 1 June 2005 and the last payment is on 1 June 2015. Overdue interest rate is equivalent to 9% per year.

As stated in Note 7, the Company pledged assets of Song Hinh Hydro-Power Plant with the net book value as at 31 December 2008 of VND515,063,495,873 (31 December 2007: VND560,056,268,141) to secure the loan as per mortgage contract No. 01/2006/HDTCTS-TL dated 12 April 2006.

Long-term loans are repayable as follows:

	31/12/2008	31/12/2007
	VND	VND
On demand or within one year	104,221,606,285	101,278,983,589
In the second year	20,185,864,194	100,515,794,874
In the third to fifth years inclusive	60,557,592,582	57,479,239,074
After five years	144,069,533,736	155,905,724,848
	<u>329,034,596,797</u>	<u>415,179,742,385</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	104,221,606,286	101,278,983,589
Amount due for settlement after 12 months	<u>224,812,990,511</u>	<u>313,900,758,796</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

14. SHAREHOLDERS' EQUITY

Movements in shareholders' equity

	Charter capital VND	Retained earnings VND
Balance at 1/1/2007	1,250,000,000,000	95,173,848,205
Capital addition in 2007	124,942,580,000	-
Profit for the year	-	256,841,385,342
Dividends paid	-	(75,000,000,000)
Distributed to other funds	-	(16,049,000,000)
Balance at 1/1/2008	1,374,942,580,000	260,966,233,547
Profit for the year	-	370,945,251,251
Dividends paid (i)	-	(247,489,664,400)
Distributed to other funds (ii)	-	(74,112,600,000)
Others (iii)	-	(672,386,126)
Balance at 31/12/2008	1,374,942,580,000	309,636,834,272

(i) The second dividend payment for the year 2007 and the first dividend payment for the year 2008 are distributed at the rate of 8% and 10%, respectively, under Resolution No. 224/NQ-VSHPC-DHDCD dated 24 April 2008 issued by the Shareholders' General Meeting and Resolution No. 654/NQ-VSHPC-HDQT dated 28 October 2008 issued by the Board of Management, respectively.

(ii) Based on Resolution No. 224/NQ-VSHPC-DHDCD dated 24 April 2008 at the annual Shareholders' General Meeting on the same date and Resolution No. 440/2008/NQ-VSHPC-HDQT dated 18 July 2008 issued by the Board of Management, funds including investment and development funds, bonus and welfare funds and remunerations of the Board of Management and the Supervision Board, bonus of Governing Board are provided for in the amounts of VND71,500,000,000, VND875,000,000, VND1,237,600,000 and VND500,000,000, respectively.

(iii) Others include a sponsor for Festival Tay Son – Binh Dinh in the amount of VND500,000,000 in accordance with Resolution No. 224/2008/NQ-VSHPC-DHDCD dated 24 April 2008 issued by the Shareholders' General Meeting and other expenditures.

Contributed capital structure

	31/12/2008		31/12/2007	
	%	VND	%	VND
Electricity of Vietnam (EVN) State Capital Investment Corporation (SCIC) (I)	30.55	420,112,990,000	54.55	750,099,190,000
Other shareholders	45.45	624,843,390,000	45.45	624,843,390,000
	100.00	1,374,942,580,000	100.00	1,374,942,580,000

(i) As at 31 December 2008, SCIC successfully purchased 32,998,620 shares of EVN. The Company has received Official Letter No. 3169/TTLK-DK dated 31 December 2008 issued by Vietnam Securities Depository stating the effective date of the above purchasing transaction is 31 December 2008.

VINH SON – SONG HINH HYDRO-POWER JOINT STOCK COMPANY

 21 Nguyen Hue Street, Quy Nhon City
 Binh Dinh Province, S.R. Vietnam

Consolidated Financial Statements
 For the year ended 31 December 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FORM B 09 – DN
These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
15. REVENUE

	2008	2007
	VND	VND
Sale of electricity	482,691,689,892	369,604,046,015
Other services	988,360,945	557,454,479
	<u>483,680,050,837</u>	<u>370,161,500,494</u>

16. COST OF GOODS SOLD

	2008	2007
	VND	VND
Cost of power electricity sold	176,927,623,702	167,995,921,307
Cost of other services	757,013,630	43,860,000
	<u>177,684,637,332</u>	<u>168,039,781,307</u>

17. FINANCIAL INCOME/EXPENSES

	2008	2007
	VND	VND
Financial income		
Banking interest income	98,963,535,247	16,979,628,553
Dividends distributed	1,505,933,000	8,917,946,000
Gains from selling shares	-	49,937,456,000
Gains from realised foreign exchange differences	79,537,123	-
	<u>100,549,005,370</u>	<u>75,835,030,553</u>
Financial expenses		
Interest expense	10,620,290,844	15,392,208,930
Losses from unrealised foreign exchange differences	15,133,838,102	359,100,839
Losses from realised foreign exchange differences	791,071,925	-
Commission for sales of shares	-	229,040,700
	<u>26,545,200,871</u>	<u>15,980,350,469</u>
Profit from financial activities	<u>74,003,804,499</u>	<u>59,854,680,084</u>

18. EARNINGS PER SHARE

	2008	2007
	VND	VND
Earnings for the purposes of basic earnings per share	370,945,251,251	256,841,385,342
Weighted average number of ordinary shares for calculating earnings per share	137,494,258	125,935,976
Earnings per share	2,698	2,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09 – DN

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

19. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company entered into the following transactions with related parties:

	<u>2008</u>	<u>2007</u>
	VND	VND
Sales		
Sales of electricity to EVN	482,691,689,892	369,604,046,015
Dividends		
Paid to EVN	135,017,854,200	45,005,951,400
Received from Binh Dinh Tourist Joint Stock Company	775,648,000	-
Investments		
Capital management trusted to EVN Finance JSC with the interest rate of 10%/year and the duration of 12 months	35,000,000,000	-
Loan to EVN with the interest rate of 17%/year and the duration of 12 months from disbursement date	500,000,000,000	-

Related party balances at the balance sheet were as follows:

	<u>31/12/2008</u>	<u>31/12/2007</u>
	VND	VND
Receivables from EVN	60,215,025,046	62,304,273,460
Loan to EVN	500,000,000,000	-
Capital management trusted to EVN Finance JSC with the interest rate of 10%/year and the duration of 12 months	35,000,000,000	-

Directors' remuneration

Remuneration paid to the Company's Directors during the year was as follows:

	<u>2008</u>	<u>2007</u>
	VND	VND
Salaries, bonus and other benefits in kind	1,222,672,416	725,620,019

20. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's figures to enhance comparability with current year's presentation.