



**HAGL Group**  
HOANG ANH GIA LAI JOINT STOCK COMPANY



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REACHING FOR HIGHER GROUNDS • HOANG ANH GIA LAI JOINT STOCK COMPANY • ANNUAL REPORT 2010



**REACHING FOR  
HIGHER GROUNDS**



# Visionary ambition

HAGL REACHES FOR HIGHER GROUNDS IN DEVELOPING ITS BUSINESS WITH CONTINUOUS EXPANSION OF NETWORK AND SERVICES. HAGL REMAINS TRUE TO ITS VISION TO BECOME A LEADING CONGLOMERAT ESPECIALISING IN RESOURCE MANAGEMENT AND SUPPLY IN VIETNAM, LAOS AND CAMBODIA, DRIVING SUSTAINABLE LONG-TERM GROWTH AND FURTHER DIVERSITY.

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## Vision

To become the leading diversified multi-sector group in Vietnam with sustainable operations in rubber, hydro - electricity mining and real estate industries.



Rubber plantation



Hydro - electricity



Real estate



Mining



Furniture

# Unity is power

## Mission

To maintain constant creativity and strive to continue to produce quality products and provide exceptional service at reasonable costs.

To provide competitive employee benefits, both in terms of monetary remuneration and employee development in order to motivate employees to create value for shareholders and the society.



INITIALLY ESTABLISHED IN 1993 AS A SMALL WOOD PROCESSING FACTORY, AT PRESENT, HOANG ANH GIA LAI ("HAGL") HAS BECOME A DIVERSIFIED GROUP WITH TOTAL ASSETS OF VND18,772 BILLION. REVENUE FROM REAL ESTATE OPERATIONS COMPRISED MORE THAN 63% OF TOTAL REVENUE, WITH 27 PROJECTS AND TOTAL FLOOR AREA OF MORE THAN 2.5 MILLION M<sup>2</sup>.



# Message from Chairman



**We are convinced that Hoang Anh Gia Lai is moving in the right strategic direction. We have built a long-term, sustainable development framework capitalising on our competitive advantages in land and natural resources.**

## DEAR SHAREHOLDERS AND PROSPECTIVE INVESTORS

Macroeconomic conditions remained unfavorable for business in 2010. The Vietnam economy faced a myriad of adversities in the form of runaway inflation, widening trade deficit, shortage-driven disparity in foreign exchange rates, etc. In the face of these adversities, the Government tightened monetary policies and raised interest rates to control inflation and reduce trade deficit.

These measures are expected to stabilise the macroeconomic variables over the long-run, and create a platform for sustainable economic development. However, the immediate impact curtailed the access to capital for business operations and investments, which in turn led to significantly higher cost of capital. On top of that, consumer purchasing power has diminished, seriously affecting demand for big-ticket items such as real estate.

Notably, Vietnam's international credit rating has also been downgraded. This impacts considerably on the ability of Vietnamese enterprises to raise capital internationally.

Under such circumstances, Hoang Anh Gia Lai Group has harnessed ourselves together to surmount the challenges, and remarkably delivered the business plan by exceeding our manufacturing, investment and financial objectives. Specifically, Hoang Anh Gia Lai posted a pre-tax profit of VND 3.017 trillion, corresponding to 113% of Plan (VND 2.681 trillion). This is indeed an encouraging result. Hoang Anh Gia Lai also successfully converted VND 1.45 trillion of convertible bonds to ordinary shares. An issue of new convertible bonds, worth VND 1.1 trillion, was also made to Temasek Holdings. The business organisation of Hoang Anh Gia Lai Group was restructured by sector, and at the same time, an 11.75% stake of the real estate business was sold to strategic shareholders, realising VND 1.167 trillion. A private issue of 19 million shares was placed, 16.2 million of these being used to list GDRs on the London Stock Exchange. This share placement raised another VND 1.3 trillion. With these achievements, Hoang Anh Gia Lai had a cash balance of VND 3.589 trillion at the end of 2010. This will be used to finance future investments and respond to intricate market movements.

We are convinced that Hoang Anh Gia Lai is moving in the right strategic direction. We have built a long-term, sustainable development framework capitalising on our competitive advantages in land and natural resources. The following are our business objectives for each strategic sector/category:

**REAL ESTATE:** To build 2.5 million square metres of residential and commercial properties, primarily being apartments. Hoang Anh Gia Lai enjoys competitive advantages through a sizeable and economical land bank, synergies with sister companies in construction business, and supply of competitively-priced timber and stone materials. Our vertically-integrated processes and businesses allow us to establish cost-leadership over competitors.

**RUBBER CULTIVATION, HARVESTING AND PROCESSING:** The target is to cultivate 51,000 ha of rubber plantations in the Central Highlands region, Laos and Cambodia. Our competitive advantages are our large area of low-cost land, highly skilled and experienced agro-forestry workers, and robust cost control measures. These factors result in low capital expenditure as compared to the industry benchmark and help HAGL projects more competitively than others in the industry.

**IRON ORE MINING AND PROCESSING:** Hoang Anh Gia Lai has received mining concessions in the Central Highlands region, Thanh Hoa Province, Laos and Cambodia, with reserves estimated at approximately 60 million tonnes. Being open-cut mines, they do not require large investments, and iron ore prices have remained consistently high in world markets in recent years. This industry offers huge growth potential for Hoang Anh Gia Lai.

**HYDRO - ELECTRICITY:** Hoang Anh Gia Lai has been granted 17 hydro - electricity projects in the Central Highlands region, Thanh Hoa Province and Laos with total capacity of 465 MW. Hydro - electricity projects require large capital investment but can generate stable cash flows. Post investment, this industry will play a role in stabilizing the Group's cash flow positions.

**TRADITIONAL MANUFACTURING, I.E. WOOD AND GRANITE:** Continue their supporting role in providing a competitive advantage for our real estate business. With strong brand names entrenched in the domestic and international markets for almost 20 years, consumer confidence in Hoang Anh Gia Lai's wooden products is high. Thus, manufacturing is stable and employment security is ensured.

**FOOTBALL:** Continues to be viewed as an excellent brand-building tool. Hoang Anh Gia Lai has the most modern, state-of-the-art football facilities in Southeast Asia. We are focused on investing in the future by training young players in cooperation with the Arsenal Football Club. We believe this program will deliver positive results.

Hoang Anh Gia Lai's business and investment strategies are built on our competitive advantages. We will strive to achieve our strategic objectives on time, with the aim of delivering maximum values to shareholders specifically, and the society in general.

On behalf of our people of the entire Group, I would like to express my sincere gratitude to shareholders and investors for your confidence in and support for Hoang Anh Gia Lai.

**CHAIRMAN OF THE BOARD**  
HAGL Joint Stock Company

**Doan Nguyen Duc**



We leverage business opportunities  
to create the platform for  
sustainable development

Planting and harvesting  
rubber trees

**51,000ha**



#### LONG-TERM STRATEGY

Hoang Anh Gia Lai sets the target to complete planting 51,000ha of rubber trees in 2012 in the Central Highlands region, Laos and Cambodia. When all the rubber crops in the plantations go into productive phase, the latex output each year will be approximately 127,500 tonnes. This is a stable source for export with high value and steady source for foreign currency.



We harness the power of  
water to supply energy for  
the future

## 17 hydro - electricity projects



### UPCOMING PROJECTS


Between 2011-2013, Hoang Anh Gia Lai will complete and bring into operation 17 hydro- electricity projects in Central Highlands region, Thanh Hoa and Laos with total capacity of 465 MW and total investment of VND 6,975 billion.



Driven by strategic vision,  
we focus our efforts to  
enhance potentials

Mining and  
processing

60 million  
tonnes



**EXPANSION**

We set the target to explore and process 60 million tonnes of iron-ores spread across the mines in Central Highlands region, Thanh Hoa, Laos and Cambodia.



We provide quality properties  
to complement contemporary  
and convenient lifestyles

Development of  
residential and  
commercial properties

**2.5  
million m<sup>2</sup>**



#### ESTABLISHING STRONG BRAND EQUITY

Hoang Anh Gia Lai has succeeded in becoming one of the leading real estate developers in Vietnam, and earned the trust of customers.



For the benefit of future generations,  
we commit to provide eco-friendly  
products

Manufacturing and  
distribution of Wood  
and Granite products

FSC



**QUALITY PRODUCTS**

FSC is an accreditation from Forest Stewardship Council awarded to Hoang Anh Gia Lai for its commitment to provide eco-friendly products from sources that do not threaten the eco-system.

Hoang Anh Gia Lai's wooden furniture products are ideal for domestic real estate projects as well as for export to Australia, Europe, US, and Hong Kong.



# Establishment and Development



## Operations and Development

### Important events

**Establishment:** Hoang Anh Sole-Proprietorship Enterprise, the predecessor of Hoang Anh Gia Lai Joint Stock Company, was established in 1993.

**Conversion to a joint stock company:** In 2006, the sole proprietorship enterprise was converted to a joint stock company and renamed as Hoang Anh Gia Lai Joint Stock Company.

**Share listing:** The Company's shares were officially listed in the Ho Chi Minh City Stock Exchange on 22 December 2008.

### Business development

- Business activities**
- Build and operate apartments and offices for lease.
  - Plant and produce rubber products.
  - Invest and operate hydro - electricity plants.
  - Exploit and process mining resources.
  - Produce and distribute wooden furniture and granite stones.
  - Other supporting activities.



The first wood processing factory of HAGL

Initially...	Established as a small wood processing factory.
...and now	A diversified group with total assets of VND 18,772 billion, owners' equity of VND 9,159 billion and market capitalisation of VND 21,168 billion.

## Operations

- 1993**
- Commenced operations of a wooden furniture processing factory in Gia Lai province.
- 2002**
- Opened the granite processing factory.
  - Opened another wooden furniture processing factory in Gia Lai province.
  - Established Hoang Anh Gia Lai Football Club following its transfer from the People's Committee of Gia Lai province.
- 2004**
- Commenced operations of Hoang Anh Gia Lai Resort in Qui Nhon.
- 2005**
- Commenced operations of Hoang Anh Gia Lai Resort in Da Lat.
- 2006**
- Commenced operations of Hoang Anh Gia Lai Pleiku Hotel.
  - Completed and handed over to buyers Le Van Luong high-class apartments in Ho Chi Minh City.
- 2007**
- Commenced the construction of New Saigon apartments.
  - Commenced the construction of hydro - electricity plants, Dakrong 2 and Dakrong 2A in Gia Lai Province.
  - Commenced operations of Hoang Anh Gia Lai Safomec office building in Ho Chi Minh City.
  - Commenced operations of Hoang Anh Gia Lai Hotel Plaza in Danang.
  - Signed a strategic cooperation agreement with Arsenal (UK), a world famous football club.
  - Opened Hoang Anh Gia Lai Arsenal JMG Football Institute.
  - Commenced the construction of Phu Hoang Anh apartments in Ho Chi Minh City.
  - Commenced the construction of Hoang Anh Can Tho apartments.
  - Received 5,000ha of land from the Laos Government for rubber plantation.
- 2008**
- Signed a USD 19 million sponsorship contract with the Laos Government to build the 25th SEA Games Athletes Village.
  - Signed a project development contract and received investment license for the development of a 10,000ha rubber plantation in Attapeu Province, Laos.
  - Completed and handed over the high-class apartments on Tran Xuan Soan Street in Ho Chi Minh City and Hoang Van Thu Street in Pleiku City.
  - Signed strategic cooperation agreements with BIDV and Sacombank.
  - Commenced the construction of Hoang Anh Riverview apartments in Ho Chi Minh City.
  - Commenced the construction of Hoang Anh Dak Lak apartments.
  - Issued bonus shares to the shareholders at a ratio of 100:49.9.
  - Received 8,000ha of land from the People's Committee of Gia Lai Province for rubber plantation.

- 2009**
- Commenced the construction of Golden House apartments in Ho Chi Minh City.
  - Commenced the construction of Ho Thac Gian apartments in Danang City.
  - Commenced the construction of Ba Thuoc 1 and Ba Thuoc 2 hydro - electricity plants with total capacity of 140MW in Thanh Hoa Province.
  - Commenced the construction of Dakrong 3B hydro - electricity plant with total capacity of 19.5MW in Gia Lai Province.
  - Commenced the construction of Dakpsi 2B hydro - electricity plant with total capacity of 14MW in Kon Tum Province.
  - Completed and handed over the New Saigon apartments
  - Completed and handed over the 25th SEA Games Athletes Village to the Laos Government.
  - Received licenses from the Laos Government for the construction of two hydro - electricity plants with total capacity of 110MW on Nam Kong River.
  - Received license from the Laos Government for the survey of an iron quarry with total reserve of 20 million tonnes; the survey has been completed and the quarry is now ready for utilisation.
  - Received license from the Cambodian Government for the survey of an iron quarry with total reserve of 30 million tonnes; the survey has been completed and the quarry is now ready for utilisation.
  - Received a land area of 12,000ha from the Cambodian Government for rubber plantation.
  - Received a land area of 3,000ha from the People's Committee of Dak Lak Province for rubber plantation.
  - Received license from the People's Committee of Thanh Hoa province for the survey of 3 iron mines in the Western districts of Thanh Hoa.
  - Revised the projected annual profit before tax from VND 1,150 billion to VND 1,400 billion and further increased it to VND 1,700 billion.
  - Issued bonus shares to the shareholders at a ratio of 2:1.
  - Issued convertible bonds with total proceeds of VND 1,450 billion.

## 2010

- Completed and delivered Hoang Anh Riverview apartments (HCMC).
- Inaugurated hydro - electricity plant Dakrong 2.
- Commenced the construction of Kinh Te office building.
- Commenced the construction of Thanh Binh Apartments.
- Commenced the construction of Hoang Anh Incomex Apartments.
- Commenced the construction of Phu Hoang Anh – Phase 2.
- Converted bonds to shares with total proceeds of VND 1,450 billion.
- Issued convertible bonds for Temasek with total proceeds of VND 1,100 billion.
- Issued separately 16,216,250 shares for Deutsche Bank to create the base for GDR issuance and listing in London Stock Exchange.
- Commenced the construction of a hospital with capacity of 200 beds and facilities for current projects in Attapeu, Laos.
- Signed strategic contract to establish HCMC University of Pharmaceutical & Medical – Hoang Anh Gia Lai hospital.





# 2011-2020

Hoang Anh Incomex Saigon Apartments project

## Development direction

### Main goals

- The Group's goal is to maintain rapid and sustainable development in the future. In 2012, rubber, hydro - electricity and mining operations, together with real estate, will be the core businesses of the Group.
- The Group aims to be the leading real estate company in Vietnam.

### Medium-term business plan

The Group will continue to focus on its core and highly profitable operations such as real estate, production and distribution of wooden furniture, in order to accumulate capital.

### Long-term business plan

The Group will focus on rubber plantation and processing (51,000ha), mining and processing (60 million tonnes of iron ore) and hydro - electricity (with total capacity of 465MW). These industries are critical for the sustainable and long-term development of the Group.



## Products and Services

Hole-drilling trucks ready for rubber plantation in 2011

## | Rubber plantation |

Our target in 2012 is to finish planting and start harvesting latex from 51,000ha of rubber trees in 2012, located in the Central Highlands region of Vietnam, Laos and Cambodia.

Rubber trees have high economic value. Rubber latex is used in the manufacturing industry and rubber wood is used in wooden furniture business. This sector is not capital intensive but it can generate high and stable profits.

The advantages of Hoang Anh Gia Lai are ownership of land at low cost and labour workforce with skills and experience in agro-forestry. These are the critical success factors in the rubber business.

Using modern science and technology, seeds imported from countries with advanced rubber plantation industries like Malaysia and Thailand, Hoang Anh Gia Lai will harvest latex from the first generation of rubber trees by 2012. Once 51,000ha of rubber trees reach their maturity, Hoang Anh Gia Lai will be able to harvest 127,500 tonnes of latex for import with approximate revenue of USD 765 million (based on current market price of USD 6,000/tonne). Thus, Hoang Anh Gia Lai has the capacity to earn USD 653 million per year in profits as the estimated production cost of 1 tonne of latex is USD 876 (the cost includes latex harvesting, protection, processing fee and depreciation in investment cost).

Furthermore, at the end of its commercial period (within 20 years), the 51,000ha of rubber trees will be able to provide approximately 3 million m<sup>3</sup> of lumber with estimated total proceeds of USD 750 million. After deducting the utilisation, transportation & processing cost estimated at USD 320 million, approximate earnings from lumber sales is USD 430 million.



Residential area for resettled Laotian workers





## Products and Services

### | Hydro - electricity |

Hoang Anh Gia Lai has been granted 17 hydro - electricity projects in the Central Highlands region of Vietnam, Thanh Hoa province and Laos with total capacity of 465MW. These projects utilise precious natural resources, generating power from rivers with waterfalls. Estimated capital expenditure for these 17 projects is approximately VND 6,975 billion.

Hydro - electricity is capital intensive but it can generate the most stable cash flow. After the development phase, this sector will play the role of generating and balancing cash flow for the Group.

When Hoang Anh Gia Lai finishes construction for the 17 hydro - electricity projects mentioned above, the total power output will reach about 2.33 billion Kwh and generate a revenue of VND 1,864 billion per year for the Group (based on current electricity price of VND 800/Kwh). There is a high potential for future revenue growth with the increase of electricity prices.



**2.33**  
billion Kwh



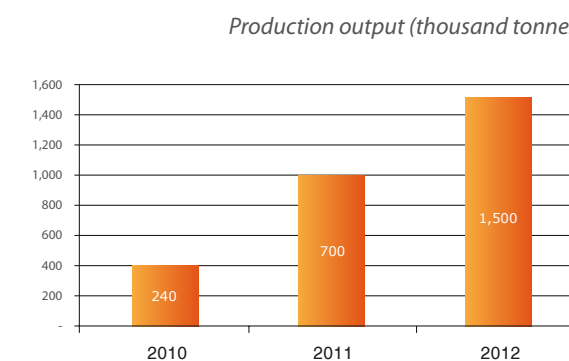
## Products and Services

### | Mining |

The objective is to exploit and process 60 million tonnes of iron ore located in the Central Highlands region of Vietnam, Thanh Hoa, Laos and Cambodia. Hoang Anh Gia Lai was licensed to survey an iron mine in Laos with estimated reserves of 20 million tonnes and one in Cambodia with estimated reserves of 30 million tonnes and other mines in the Central Highlands region of Vietnam and Thanh Hoa with total reserves of 10 million tonnes.

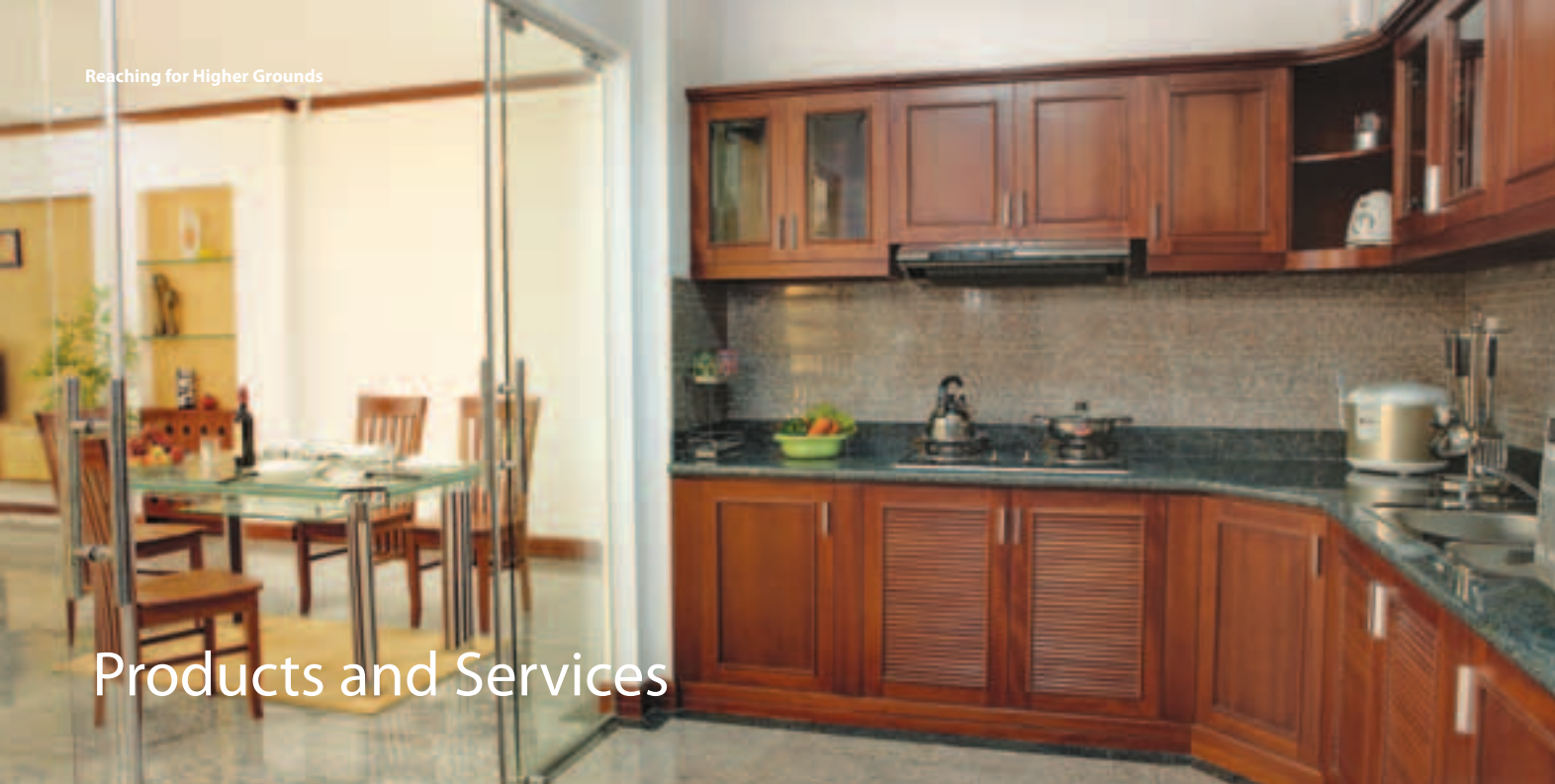
This sector is not capital intensive but can generate high profit. Global demand for iron ore remains very high, especially in emerging markets like China. Refined iron ores can be kept in storage at large quantity for a long period and can also be easily sold. This sector also helps to stabilise the revenue stream of Hoang Anh Gia Lai.

**Plan to mine and process iron ore in the period of 2010-2012:**



**60**  
million tonnes





## Products and Services

### | Furniture |

This sector is the traditional business of Hoang Anh Gia Lai and it has favorable competitive advantages. For example, it has granite mines in Gia Lai which provide a low-cost source of raw materials for our granite factories. Notably, Hoang Anh Gia Lai also owns a considerable source of timber in the Southern part of Laos (near Kon Tum province) with approximately 300,000 m<sup>2</sup> of variety of rounded wood. The timber is sourced from the reclamation of land from forest for rubber plantation. Laos Government uses this source of timber to repay the loan amounting USD 15 million which it borrowed from Hoang Anh Gia Lai to finance the development of the SEA Games Village in Vientiane. The repayment term is three years. With his source of timber, Hoang Anh Gia Lai will not have to buy from other suppliers so it can minimize production cost and enhance profitability.

Aside from export and local distribution, this business will also provide competitive advantage for Hoang Anh Gia Lai in its real estate business. As wood and granite are essentials in construction, having a steady supply will drastically cut effective lead-time and will form self-contained procedures and enable competitive pricing for end products.



## Products and Services

### | Real estate |

Hoang Anh Gia Lai focuses investments on apartments and commercial offices in major cities in Vietnam, particularly Ho Chi Minh City.

Hoang Anh Gia Lai enjoys competitive advantages of lowest land bank acquired in the past, synergies with sister companies in construction, wooden products and granite processing. This vertical-integration allows us to offer competitive prices to customers.

Our real estate projects in HCMC have been the key income drivers in 2010 and prior years. Hoang Anh Gia Lai targets to bring into the market averagely 2,000 to 2,500 apartments per year for the period 2010 to 2012.

#### Completed projects

- River View Apartments - District 2, HCMC: 576 apartments and 1,459m<sup>2</sup> of commercial space; 122,877m<sup>2</sup> gross floor area.
- New Saigon Apartments - Nha Be District, HCMC: 1,104 apartments; 176,685m<sup>2</sup> floor area.
- Le Van Luong Apartments - District 7, HCMC: 450 apartments; 63,955m<sup>2</sup> floor area.
- Tran Xuan Soan Apartments - District 7, HCMC: 463 apartments; 80,526m<sup>2</sup> floor area.
- Hoang Van Thu - Gia Lai Apartments: 157 apartments and 2,470m<sup>2</sup> of commercial space; 24,574m<sup>2</sup> gross floor area.
- Dam Sinh Thai Apartments - Quy Nhon: 560 apartments; 84,706m<sup>2</sup> floor area.
- Thanh Thai Commercial Office - District 10, HCMC: 8,359m<sup>2</sup> floor area.





# Products and Services

# 2,000-2,500

The number of apartment units Hoang Anh Gia Lai will launch in the market each year from present till 2012



## | Real estate |



### Projects under construction

- Phu Hoang Anh (Phase 1) – Nha Be District, HCMC: 802 apartments and 4,096m<sup>2</sup> commercial space, 134,840 m<sup>2</sup> gross floor area.
- Hoang Anh An Tien Apartments - Nha Be District, HCMC: 996 apartments and 18,626m<sup>2</sup> commercial space, 198,145m<sup>2</sup> gross floor area.
- HAGL - BIDV Apartments - Dak Lak: 432 apartments, 52,320m<sup>2</sup> floor area.
- Ho Thac Gian Apartments – Danang: 456 apartments; 7,130m<sup>2</sup> commercial space, 80,966m<sup>2</sup> gross floor area.
- Condominium project at Can Tho City: 216 apartments, 29,391m<sup>2</sup> gross floor area.
- HAGL Condominium – Bangkok, Thailand: 140 apartments; 13,928m<sup>2</sup> gross floor area.
- Kinh Te Office and Commercial Complex - District 7, HCMC: two 40 storey blocks, 114,760m<sup>2</sup> office space and 6,840m<sup>2</sup> commercial space, 165,022m<sup>2</sup> gross floor area.
- Hoang Anh Incomex Apartments – District 7, HCMC: 396 apartments and 24,300m<sup>2</sup> commercial space, 98,014m<sup>2</sup> gross floor area.
- Phu Hoang Anh Phase 2, Nha Be District, HCMC: 648 apartments, 127,078m<sup>2</sup> gross floor area.
- Thanh Binh Apartments, District 7, HCMC: 1,000 apartments, 127,128 m<sup>2</sup> gross floor area.

### Projects commencing in 2011-2013

- Hoang Anh Tan Phu – Luy Ban Bich St., Tan Phu District, HCMC: 474 apartments, 65,520m<sup>2</sup> gross floor area.
- Commercial center and apartments, Phan Van Khoe St. – District 6, HCMC: 319 apartments and 8,568m<sup>2</sup> commercial space, 81,311m<sup>2</sup> gross floor area.
- No Trang Long Apartments – Binh Thanh District, HCMC: 256 apartments, 30,793m<sup>2</sup> floor area.
- Apartment project, Hoc Mon District, HCMC: 1,308 apartments; 137,274m<sup>2</sup> floor area.
- Phu Dinh Commercial and Residential Complex – District 6, HCMC: 896 apartments and 65,480m<sup>2</sup> commercial space; 311,901m<sup>2</sup> gross floor area.
- Villa and condominium complex – District 9, HCMC: 2,000 apartments, 24 villas and 27 duplexes; 317,657m<sup>2</sup> gross floor area.
- The 2/9 Complex – Binh Hien Ward, Danang: 2,944 apartments, 89,734m<sup>2</sup> commercial space and 172,800m<sup>2</sup> office space, 868,686m<sup>2</sup> gross floor area.
- Nguyen Van Linh Office and Commercial Building – Danang: 4 commercial floors and 33 floors of offices, 53,040m<sup>2</sup> gross floor area.
- Dong Nam Residential Project – HCMC: 352,275m<sup>2</sup> land area, scope for up to 9,200 residents (equivalent to about 2,300 apartments and villas).
- Tan Phong Riverside – District 7, HCMC: 1,120 apartments, 196,756m<sup>2</sup> floor area.





# Board of Management



Key highlights of 2010 were the continued solid performance of Hoang Anh Gia Lai’s real estate business and its increased investments in the rubber, hydro - electricity and mining businesses. In addition, the Group implemented divisional restructuring and successfully raised capital from domestic and international financial markets.

From left to right:

- |   |                                |   |                               |   |                      |
|---|--------------------------------|---|-------------------------------|---|----------------------|
| 1 | Mr. Doan Nguyen Thu   Member   | 2 | Mr. Vu Huu Dien   Member      | 3 | Mr. Le Hung   Member |
| 4 | Mr. Doan Nguyen Duc   Chairman | 5 | Mr. Nguyen Van Minh   Member  |   |                      |
| 6 | Mr. Nguyen Van Su   Member     | 7 | Ms. Vo Thi Huyen Lan   Member |   |                      |



# Board of Directors



From left to right:

- 1

Mr. Le Van Ro | Deputy CEO
- 2

Mr. Tra Van Han | Deputy CEO
- 3

Mr. Nguyen Van Minh | Deputy CEO
- 4

Mr. Doan Nguyen Thu | Deputy CEO
- 5

Mr. Nguyen Van Su | CEO
- 6

Mr. Vo Truong Son | Deputy CEO

# Board of Supervisors



From left to right:

- 1

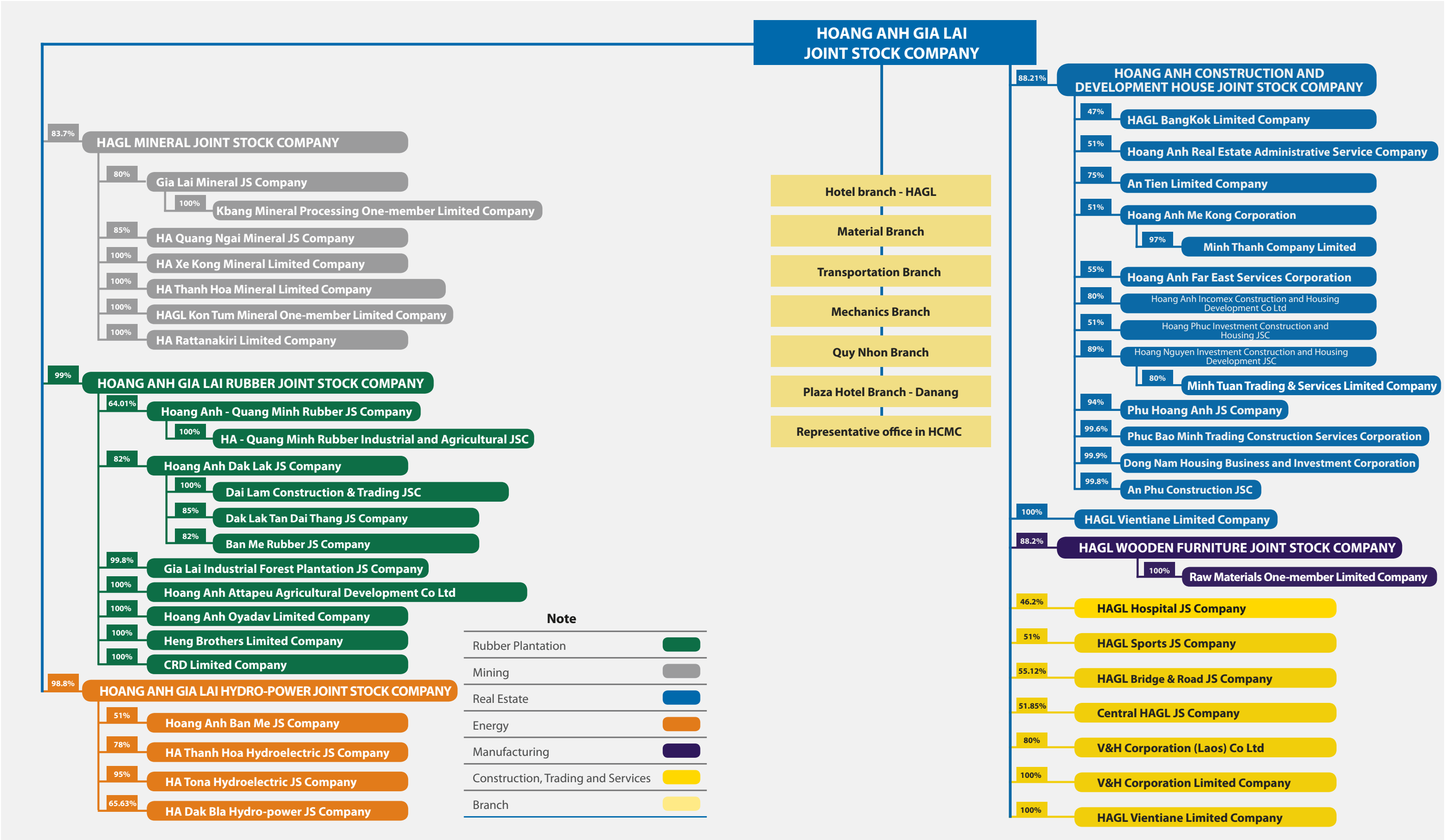
Mr. Nguyen Van Ton | Head of BOS
- 2

Mr. Lam Hoang Hai | Member
- 3

Mr. Nguyen Xuan Thang | Member



Organisational Structure





# Board of Management's Report



Mr. Doan Nguyen Duc, Chairman, guiding investors and scientists visiting rubber farms of HAGL in Laos

## 50%/year

is the target rate of growth which Hoang Anh Gia Lai is striving to get in 2010 - 2012.

THE ESSENCE OF THE CULTURAL ENVIRONMENT OF HOANG ANH GIA LAI IS UNITY. THIS ELEMENT HELPS TO CREATE POTENTIAL POWER TO HELP THE GROUP OVERCOME ALL THE DIFFICULTIES IN BUILDING AND MAINTAINING THE COMPETITIVE ADVANTAGE BASED ON STRONG FOUNDATION OF QUALITY AND PRICE IN SELF-CONTAINED PRODUCTION PROCESSES WHICH IS NOT COMMON TO EVERY COMPANY.

### Business and financial highlights

Key highlights of 2010 were the continued solid performance of Hoang Anh Gia Lai's real estate business and its increased investments in the rubber, hydro - electricity and mining businesses. In addition, the Group implemented divisional restructuring and successfully raised capital from domestic and international financial markets.

Despite adverse macro-economic conditions, Hoang Anh Gia Lai continued to generate positive cash flows and revenues from its real estate business. This result is partly due to proceeds generated from apartments sold in 2009 and partly from additional sales of apartments of the Hoang Anh Riverview and Phu Hoang Anh Phase 1 projects in 2010. With the proceeds from project sales, the Group accelerated new project constructions, such as Phu Hoang Anh Phase 2, Hoang Anh Incomex and Thanh Binh to create a pipeline of apartments for sale once the market recovers.

The cost-leadership strategy in business and investment has been a crucial success factor of the Group in navigating the difficult economic conditions.

On our investment activities, the Group made good progress on the projects and generated promising initial results. Specifically, the Group's rubber crops are growing strongly; Daksrong 2, the first hydro - electricity plant, began stable operations at the end of October 2010; the Kbang iron ore mine in Gia Lai is operational and production output is steady. The Group is investing heavily in our efforts to complete projects on schedule.

On financing, the Group has achieved remarkable success. Notably, the Group managed to keep its leverage ratio well under control; bond holders converted all convertible bonds to shares at a value of VND 1.45 trillion in May 2010; the successful issue and listing of 24.3 million Global Depository Receipts on the London Stock Exchange; a convertible bond issue to Temasek Holdings at a value of VND 1.1 trillion; and successful signing of project financing agreements to secure long-term capital; etc. Our success in financing has given the Group considerable cash reserves for investment and management of liquidity risks.

### Business performance

During 2010, the Group upgraded its pre-tax profit target from VND 2.681 trillion to VND 3 trillion. According to the 2010 audited financial statements, profit before tax reached VND 3.017 trillion, or 113% as compared to the original target, which also met the adjusted profit target. This success was due to revenues from the Hoang Anh Riverview, Phu Hoang Anh Phase 1, Hoang Anh Golden House, Hoang Anh Can Tho and Bau Thac Gian (Danang) projects and the sale of real estate shares to strategic partners. In addition, the Group controlled its business expenses to generate savings in cost of goods sold, operating expenses and interest cost.

### Key investment updates

The Board of Management sanctioned a number of important investments aimed at creating a platform for the Group's future development. At the end of 2010, our investments in the respective sectors were as follows:

**Rubber plantation:** At the end of 2010, the Group had planted 24,000ha of rubber crops in Vietnam, Laos and Cambodia. The rubber crops are growing well. The Group has also installed irrigation systems to water the trees during the dry season. The Group has cleared 13,000ha of land for planting rubber crops during the year. Planting of crops for the remaining 14,000ha will be completed in 2012.

**Real estate development:** During the year, the Group completed and delivered Hoang Anh Riverview project; acquired Thanh Binh project; began work on Phu Hoang Anh Phase 2, Hoang Anh Incomex and Thanh Binh projects; leveled up the Dong Nam project site; etc. to prepare a project pipeline ready for sale when the market recovers.

**Hydro - electricity projects:** The first project, Daksrong 2, came into stable operation at the end of October 2010. This would

be followed by the Daksrong 2A, Daksrong 3B and Ba Thuoc 2 projects. The remaining projects are under construction or preparation to support the completion of the hydro - electricity investment project in 2013.

**Mining projects:** The Kbang mine is in stable production. The Group has completed exploration and surveying, and exploitation licenses are pending for the mines in Kon Tum, Thanh Hoa, Laos and Cambodia, which are planned to start operation in 2011.

### Future plans and outlook

The Board expects economic difficulties to continue in the short-term. Therefore, it is imperative that the Group focuses on risk management, sound investment and project implementation. Over the long-run, the Group will benefit from the attractive long-term growth potential of its investment projects.

**Rubber industry:** Latex demand and prices on the world market have been as high (over USD 6,000/tonne). Hoang Anh Gia Lai's rubber capital expenditure is comparatively low, so the potential profitability is expected to be attractive. Latex is primarily for export and this will be a significant source of foreign currency for the Group into the future.

**Mining industry:** Global iron ore demand currently outstrips supply, keeping prices high. Ore from Cambodia and Laos can be exported easily as neither country applies export quotas. This sector has the potential to deliver attractive returns and an inflow of foreign currency.

**Hydro - electricity industry:** Vietnam currently has a chronic electricity shortage. Hoang Anh Gia Lai's hydro - electricity projects will contribute to additional electricity supply to the community. Due to the low investment costs, the profitability of the Group's hydro - electricity projects is quite high. Electricity prices in Vietnam have the potential to increase in the future (aimed at encouraging investment to resolve the shortage). Therefore, the expected returns on hydro - electricity projects are enormously attractive.

**Real estate industry:** The real estate market is facing increasing supply. However, when analysed by segment, demand from the low and middle income segments is very high, and with good growth potential into the future. When macroeconomic variables turn favorable, like lower interest rates or increased per capita GDP, the real estate market will bounce back strongly. Hoang Anh Gia Lai believes a strategy of competitive pricing for the middle income segment will drive the Group's continuing success in the real estate business.

In summary, Hoang Anh Gia Lai will persevere with the sound business strategy we have chosen. The strategy will create a framework for sustainable development for the Group, add value for shareholders in particular, and for the society in general. The Board, together with all staff and employees, will be steadfast in overcoming short-term challenges and achieving the Group's long-term strategic objectives.



# Board of Directors’ Report

Financial Performance  
Profitability

KPIs	2008	2009	2010
<b>Profitability ratio</b>			
Return on Net Sales	40.69%	29.48%	49.11%
Return on Equity	20.52%	27.41%	24.26%
Return on Assets	8.63%	10.55%	11.84%
PBT/Net Sales	53.50%	39.94%	66.68%
<b>Efficiency ratio</b>			
Asset turnover	0.21	0.36	0.24

Return on sales for 2010 increased compared to previous years. This was due to divisional restructuring of the Group and the sale of an 11.75% stake in the real estate business to strategic shareholders, which realized a profit of VND 890 billion.

Gross margin of real estate business in 2010 is 49%, an excellent margin in a subdued market, key drivers being our in-house construction capabilities and effective cost controls.

The asset turnover demonstrated that the majority of Hoang Anh Gia Lai’s assets have been invested for future returns through projects in rubber plantation, hydro - electricity, mining and land reserves for the real estate business. Remarkably, Hoang Anh Gia Lai’s asset base continue to grow. Total assets at the end of

2010 rose to VND 18.772 trillion (versus VND 12.196 trillion in 2009). Despite the bigger asset base, the return on assets for 2010 continued to grow compared to previous years.

Return on equity in 2010 was better than in 2008 but marginally down as compared to 2009. This is attributable to Hoang Anh Gia Lai issuing 22 million shares converted from bonds, increasing shareholder equity by VND 1.435 trillion, and a private placement of 19 million shares increasing shareholder capital by VND 1.30 trillion in 2010. However, the dilution of earnings per share from these two transactions was insignificant as the volume of shares involved accounted for only 13.16% of Hoang Anh Gia Lai’s total shares.

Liquidity and Leverage Ratios

KPIs	2008	2009	2010
<b>Liquidity</b>			
Current ratio: Current assets/Current liabilities	1.78	1.72	2.16
Quick ratio: (Current assets - Inventory)/Current liabilities	1.05	1.21	1.59
<b>Capital structure</b>			
Debt ratio	35%	43%	31%
Debt/Equity ratio	83%	112%	64%

18,772VND trillion

All financial measures like total assets, share capital, equity capital, profits have sharply increased. Total assets as of 31/12/2010 increased up to 18,772VND trillion.



CEO: Mr. Nguyen Van Su

The Hoang Anh Gia Lai debt ratio was reduced markedly in 2010, to just 31%. Debt/equity ratio at the end of 2010 stood at just 64%. This is a very prudent position from which to control financial risks and financial leverage.

Cash and current assets grew, considerably strengthening liquidity. The current ratio reached 2.16 times and quick ratio reached 1.59 times at the end of 2010. Hoang Anh Gia Lai recognises the potential macroeconomic risks and uncertainties. As a pre-emptive measure against potential liquidity problems, and to finance future investments, we have taken the initiatives of preserving cash reserves and short-term assets.

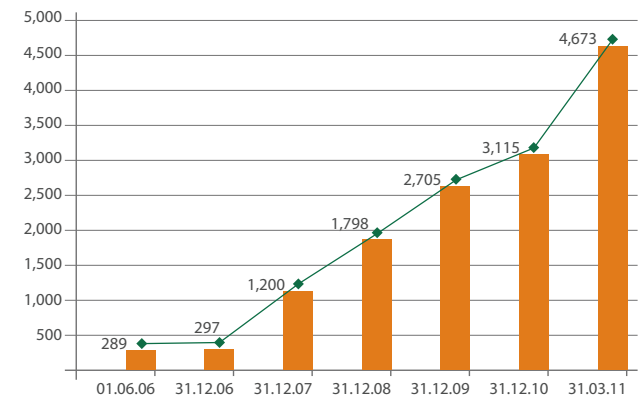
Movements in share capital

	VND ‘000
Share capital as at 31 December 2009	2,704,654,580
Ordinary shares issued to convert bonds (1)	220,552,390
Private placement 19 million ordinary shares (2)	190,000,000
<b>Share capital as at 31 December 2010</b>	<b>3,115,206,970</b>
Bonus shares issued in January 2011 at 2:1 ratio (3)	1,557,598,930
<b>Share capital as at 31 March 2011</b>	<b>4,672,805,900</b>



Board of Directors’ Report

Equity Chart (VND billion)



- (1) Through a Resolution passed during the Meeting on 19 March 2010, shareholders approved the conversion before maturity of HAG-CB09 bonds into company shares with a total value of VND 1.45 trillion. All registered bond holders had subsequently converted their HAG-CB09 bonds into ordinary shares by 14 May 2010. As a result of the conversion, 22,055,239 new shares were issued to bond holders, increasing share capital by VND 220.55 billion and share premium, after deducting expenses for the convertible bond issue by VND 1.21 trillion.
- (2) In accordance with the Resolutions of the Shareholders’ Meeting and Board of Management, on 17 and 20 December 2010, the company issued 16,216,250 and 2,783,750 new shares to Deutsche Bank Trust Company Americas (“DBTCA”) and Saigon Securities Joint Stock Company (“SSI”) with total proceeds of VND 1.167 trillion and VND 200.43 billion, respectively. The share issue to DBTCA formed the basis for issuing and listing the Group’s Global Depository Receipts (“GDR”) on the London Stock Exchange’s Professional Securities Market.
- (3) On 26 January 2011, the company issued bonus shares to existing shareholders at a ratio of 2:1 (shareholders owning 2 shares received 1 bonus share). 60% of the capital for the bonus share issue was derived from undistributed profit, and 40% from the share premium account. This issue was made in accordance with Shareholders’ Resolution No. 1808/10/NQCD-HAGL dated 18 August 2010 (canvassing shareholder opinions in writing).

Total shares by type

	At 31 December 2010	At 31 March 2011
Number of shares issued		
Ordinary shares	311,520,697	467,280,590
Other shares	-	-
Number of fully paid-up shares		
Ordinary shares	311,520,697	467,280,590
Other shares	-	-
Treasury shares	-	-
Outstanding shares	311,520,697	467,280,590
Ordinary shares	311,520,697	467,280,590
Other shares	-	-

Total bonds outstanding

	VND ‘000
Convertible bonds issued by the parent company in 2010 (1)	1,100,000,000
Straight bonds issued by the parent company in 2010 (2)	530,000,000
Straight bonds issued by the parent company in 2008 (3)	350,000,000
Straight bonds issued by the parent company in 2009 (4)	450,000,000

- (1) Convertible bonds issued on 31 August 2010 to Northbrooks Investment (Mauritius) Pte. Ltd., a member of the Singapore-based Temasek Holdings, in accordance with the Shareholders’ Resolution dated 18 August 2010. The bonds have a 1-year maturity and will be converted, at the bond holder’s discretion, at a conversion price, initially set at VND 67,375/share, which will be adjusted to account for all dilution effects. The company does not pay interest if the bond holder exercises conversion. If the bonds are not converted, then interest is payable from the date of issuance at a rate equivalent to the average 1-year cash savings rate of the 4 domestic banks (ACB Bank, Sacombank, Techcombank and Eximbank) plus 3% per annum.

- (2) These bonds were issued by the company on 8 October 2010. The bonds have a par value VND 1 billion/unit, 3-year maturity, fixed coupon rate of 15.2%/year for the first term, and a variable coupon rate with a reference rate equivalent to the average 12-month term deposit rate from the four domestic banks plus a 4.2% per annum spread for subsequent terms.
- (3) Comprises VND 100 billion issued on September 2008 and maturing on 30 September 2010, and VND 250 billion issued on December 2008 and maturing on December 2010. The bonds bear a variable coupon rate 1.5 times the published State Bank base rate with interest payable semi-annually.
- (4) These bonds were issued by the subsidiary Phu Hoang Anh JSC (“PHA”). Bond details are as follows:
- The VND 200 billion bonds will mature on 22 May 2012. Coupon rate is 11%p.a. for the first term and subsequently with a variable rate equivalent to the 12-month term deposit rate at HCMC Housing Development Commercial Joint Stock Bank plus a spread of 3.5%p.a. Coupon is paid semi-annually.
  - The VND 250 billion bonds will mature on 31 December 2012. After two years from the date of issue, PHA has the option to redeem the bonds before maturity. Coupon rate is 12%p.a. for the first term and subsequently with a variable rate equivalent to the average 12-month term deposit rate from HDBank and International Commercial Joint Stock Bank plus a spread of 3.5%p.a., but not lower than 12%p.a. Coupon is paid semi-annually.

Treasury shares trading

The company sold all 512,290 treasury shares in October 2010 at a proceed of VND 40.15 billion. The treasury shares were purchased in 2009 for VND 30.10 billion. The VND 10.06 billion surplus was booked into the share premium account.



Earnings per share

Basic and diluted earnings per share are calculated as follows:	2010
Net profit attributable to ordinary equity holders of the parent (VND ‘000)	2,093,579,117
Interest on convertible bonds charged to income statement (VND ‘000)	7,198,000
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution (VND ‘000)	2,100,777,117
Weighted average number of ordinary shares during the year for basic earnings per share	284,691,818
Weighted average number of bonus shares	142,345,909
Adjusted weighted average number of ordinary shares for basic earnings per share	427,037,727
Adjusted weighted average number of potential shares from convertible bonds	8,118,535
Weighted average number of ordinary shares adjusted for the effect of dilution	435,156,262

Earnings per share

Basic earnings per share (VND)	4,903
Diluted earnings per share (VND)	4,828

Dividends and profit distribution

- 2009 profit after tax was distributed as follows:
- Financial reserve fund: 5%
  - Incentive fund: 3%
  - Welfare fund: 2%
  - Cash dividends: VND 1,000/share with total cash of VND 292 billion
  - 2:1 ratio bonus share issue: 60% from 2009 after tax profit amounting to VND 934.56 billion.



# Board of Directors’ Report

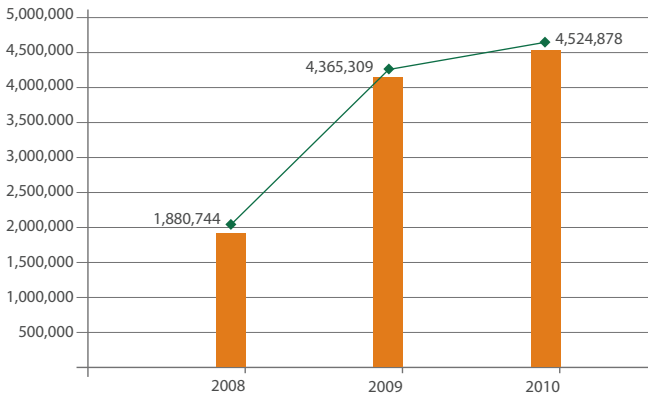
## Business performance

### Revenue

Business sector	2008		2009		2010	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Real estate	1,230,884	65.45%	3,373,859	77.29%	2,833,440	62.6%
Products and Merchandises	435,479	23.15%	538,519	12.34%	888,283	19.6%
Construction	106,055	5.64%	319,243	7.31%	619,145	13.7%
Services	108,326	5.76%	133,688	3.06%	161,376	3.6%
Hydro - electricity	-	0.00%	-	0.00%	22,634	0.5%
<b>Total revenues</b>	<b>1,880,744</b>		<b>4,365,309</b>		<b>4,524,878</b>	

VND'000

### Revenue chart

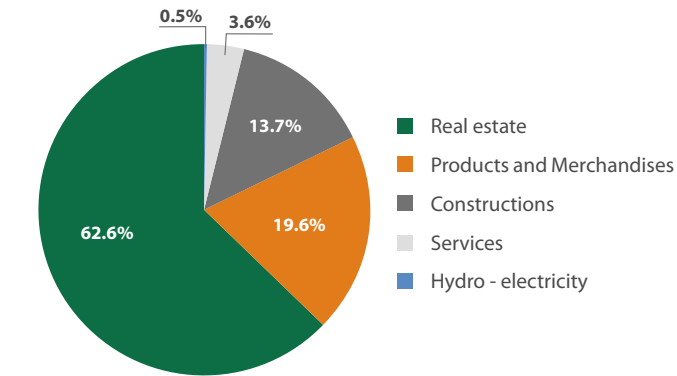


Real estate remains a major source of revenue, contributing 62.6% of total revenue. Real estate revenues for 2010 were marginally down as compared to 2009. It should be noted that in 2009 there was the last part of the revenue from New Saigon project amounting to VND 860 billion. In 2010, revenues were booked primarily from the large Hoang Anh Riverview, Phu Hoang Anh Phase 1 and Hoang Anh Golden House (An Tien) projects. The structural foundations for a number of new products have been laid but there is a need to wait for a more suitable time for launch these projects to the market.

The wooden and granite stone products manufacturing and Services remained stable with moderate growth due to unfavorable macroeconomic conditions. Difficulties remain and demand is yet to grow strongly.

The first hydro - electricity project, the 24 MW Daksrong 2 Plant, started commercial operation in late October 2010. In 2 months of operations, the project has generated revenue of VND 22.6 billion.

### Revenue structure chart



### Expenses

Items	2010	2009	Units: VND million	
			Increase	
			Amount	%
Net revenue	4,524,878	4,365,309	159,569	4%
Gross profit	2,292,103	2,006,762	285,341	14%
Sales expenses	133,032	108,523	24,509	23%
General and administrative expenses	190,206	162,416	27,790	17%
Interest	204,971	207,444	(2,473)	-1%

Sales expenses increased by 23% primarily due to expansion of the sales network to enhance coverage and establish a more personalised approach to prospective customers. This channel helped Hoang Anh Gia Lai to sell the remaining apartment units of the Hoang Anh Riverview and Phu Hoang Anh Phase 1 projects in 2010. On the other hand, sales expenses for the Wood and Granite products division remained largely unchanged.

General and administrative expenses increased by 17% primarily driven by the Group expansion, requiring more managers and development programs to enhance management capabilities. In addition, the Group made salary adjustments and increments to drive performance and improve employee engagement.

Interest expenses charged to income statement comprise interest on working capital loans and mid to long-term loans for projects that have come into operation. These expenses have not changed significantly from 2009 as the Group controlled working capital loans and only the Daksrong 2 project came into operation in October 2010.

### Income from financial activities

Revenue from financial activities in 2010 reached VND 1.262 trillion (versus VND 194 billion in 2009). Primary reasons include income from the sale of 11.75% stake of real estate business realising VND 890 billion, profit from sale of the Quy Nhon resort realising VND 99 billion, and deposit interest increased by VND 112 billion.

### Key improvements

#### Restructuring of Business Divisions by Sector/Industry

In 2010, Hoang Anh Gia Lai restructured the business divisions of the Group by sector/industry. The Group consists of the holding company owning and directly managing five sub-holding

companies operating in the real estate, rubber, mining, hydro - electricity and wood and granite manufacturing sectors/ industries. Each corporation in turn owns and manages its own subsidiaries operating in its sector/industry.

After completing the business restructuring, Hoang Anh Gia Lai will proceed to sell shares in the respective corporations to strategic partners and prepare for IPOs to list these corporations.

This restructuring will deliver more professional and effective corporate governance, with projects implemented faster and more proactively. The restructuring will assist in diversifying capital raising avenues. Capital can be mobilised at the holding company, sub-holding companies, or project level as appropriate to the practical conditions and expectations of the investors.

### Improving management procedures and preparing for implementation of an enterprise resource planning (“ERP”) system

Hoang Anh Gia Lai continues improving management and internal control procedures to make them modern and effective. The Group is also very focused on computerising management processes and investment in information technology infrastructure. The Group signed contracts with SAP to license its enterprise resource planning solutions and with IBM to purchase hardware systems. These will improve operating and storage capacity and minimize IT risks. These contracts are worth millions of US dollars. Deployment will begin in Quarter II /2011 and completion is expected in 2012.



# CONSOLIDATED FINANCIAL STATEMENTS

## Report of The Board of Management

The Board of Management of Hoang Anh Gia Lai Joint Stock Company (“the Company” or “the parent company”) is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) as at and for the year ended 31 December 2010.

### THE COMPANY

The Company is a shareholding company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 3903000083 issued by the Department of Planning and Investment of Gia Lai Province on 1 June 2006 and the following Amended Business Registration Certificates (No. 5900377720):

First amendment	05 August 2006
Second amendment	20 December 2006
Third amendment	10 January 2007
Fourth amendment	07 March 2007
Fifth amendment	01 June 2007
Sixth amendment	19 June 2007
Seventh amendment	20 December 2007
Eighth amendment	29 August 2008
Ninth amendment	24 November 2008
Tenth amendment	13 May 2009
Eleventh amendment	11 June 2009
Twelfth amendment	15 September 2009
Thirteenth amendment	18 November 2009
Fourteenth amendment	23 December 2009
Fifteenth amendment	17 May 2010
Sixteenth amendment	17 September 2010
Seventeenth amendment	28 December 2010
Eighteenth amendment	28 January 2011

As at 31 December 2010, the Company has 49 subsidiaries and 3 associates (31 December 2009: 32 subsidiaries and 4 associates) as disclosed in Note 17 to the consolidated financial statements. At present, the Group is principally engaged in developing apartments for sale and lease; construction; planting rubber and other trees; developing and operating hydro - electricity plants; mining; producing and trading furniture and granite products; building and operating hotels and resorts; and sport and entertainment activities.

The Company’s head office is located at No. 15 Truong Chinh Street, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam.

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46	Consolidated balance sheet
48	Consolidated income statement
49	Consolidated cash flow statement
51	Notes to the consolidated financial statements



# Report of The Board of Management (continued)

THE BOARD OF MANAGEMENT

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

Name	Position	Date of appointment
Mr Doan Nguyen Duc	Chairman	19 March 2010
Mr Nguyen Van Su	Member	19 March 2010
Mr Doan Nguyen Thu	Member	19 March 2010
Mr Le Hung	Member	19 March 2010
Mr Nguyen Van Minh	Member	19 March 2010
Ms Vo Thi Huyen Lan	Member	19 March 2010
Mr Vu Huu Dien	Member	19 March 2010

THE BOARD OF SUPERVISORS

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

Name	Position	Date of appointment
Mr Nguyen Van Ton	Head	19 March 2010
Mr Nguyen Xuan Thang	Member	19 March 2010
Mr Lam Hoang Hai	Member	19 March 2010

EVENTS AFTER THE BALANCE SHEET DATE

- a) On 26 January 2011, the Company issued bonus shares to its existing shareholders at 2:1 ratio (one new share for every two existing shares), of which 60% was funded from undistributed earnings of the year 2009 and 40% was taken from the outstanding share premium fund. This issuance was made based on the shareholders’ resolution No. 1808/10/NQCD-HAGL dated 18 August 2010 (the written opinions collected from the shareholders). Accordingly, the Company has recorded the additional share capital of VND’000 1,557,598,930 and the decrease in share premium and undistributed earnings of VND’000 623,039,572 and VND’000 934,559,358, respectively. On 28 January 2011, the Company received the amended Business Registration Certificate (eighteenth amendment) issued by the Planning and Investment Department of Gia Lai Province which approved the increase in the Company’s share capital to VND’000 4,672,805,900.
- b) Effective from 1 January 2011, the Group’s management has decided to change its revenue recognition policy for pre-completion sales of apartments in recognition of the International Financial Reporting Standards principles relevant to this matter. Accordingly, revenue and associated costs from pre-completion sales of apartments will be recognised when all of the following criteria are effectively met:

# Report of The Board of Management (continued)

- ▶ the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

▶ the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

▶ the amount of revenue can be measured reliably;

▶ it is probable that the economic benefits associated with the transaction will flow to the entity; and

▶ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

This is considered as a change in accounting policy by the Ministry of Finance in its Official Letter dated 18 February 2011 and will be applied retrospectively in accordance with VAS 29 - *Changes in Accounting Policies, Estimates and Errors*.

- c) On 7 January 2011, 10 February 2011 and 14 March 2011, Phu Hoang Anh Joint Stock Company, a subsidiary, issued three straight bonds with the same amount of VND 100 billion each at par value of VND 1 billion per unit to Vietnam Prosperity Joint Stock Commercial Bank (“VPBank”) which will be redeemable at par value by 7 January 2014, 10 February 2014 and 14 March 2014, respectively. The bonds issued on 7 January 2011, 10 February 2011 and 14 March 2011 bear interest rate of 21.00%, 21.00% and 22.00% per annum, respectively, in the first interest payment period and will be subsequently adjusted monthly to a 12-month saving deposit interest rate (payable at maturity) of VPBank plus (+) a margin of 5.00%, 5.00% and 7.00% per annum, respectively. The proceeds will be used to finance Phu Hoang Anh apartment project. The bonds are secured by 30,567.4 square meters of land use rights on lots 402 and 404, Nguyen Huu Tho Street, Phuoc Kien Ward, Nha Be District, Ho Chi Minh City, all assets attached to the land and benefits and income arising from the land use rights and the assets attached to land. This is part of total bonds amounting to VND 350 billion to be issued to VPBank.

AUDITORS

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



# Report of The Board of Management (continued)

## STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated state of affairs of the Group and of the Group's consolidated results and consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

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

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

The Group's management has confirmed to the Board of Management that the Group has complied with the above requirements in preparing the accompanying consolidated financial statements.

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.

On behalf of the Board of Management:



**Mr. Doan Nguyen Duc**  
**Chairman**

Pleiku City, Gia Lai Province, Vietnam  
21 March 2011



**Mr. Nguyen Van Su**  
**Member**



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www.ey.com

Reference: 60752790/13688593

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders and the Board of Management of Hoang Anh Gia Lai Joint Stock Company

We have audited the accompanying consolidated balance sheet of Hoang Anh Gia Lai Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 December 2010, and the related consolidated income statement and consolidated cash flow statement for the year then ended and the notes thereto (collectively called "the consolidated financial statements") as set out on pages 46 to 101. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

### Basis of opinion

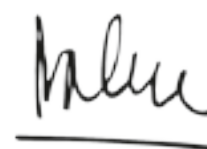
We conducted our audit in accordance with Vietnamese and International Standards on Auditing applicable in Vietnam. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2010 and of the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.



**Ernst & Young Vietnam Limited**



**Mai Viet Hung Tran**  
**Deputy General Director**  
Registered Auditor  
Certificate No. D.0048/KTV

Ho Chi Minh City, Vietnam  
21 March 2011



**Nguyen Xuan Dai**  
**Auditor-in-charge**  
Registered Auditor  
Certificate No. 0452/KTV



# Consolidated balance sheet

as at 31 December 2010

B01-DN/HN

VND'000

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>11,231,717,123</b>	<b>7,403,555,092</b>
<b>110</b>	<b>I. Cash</b>	5	<b>3,588,663,440</b>	<b>1,944,228,950</b>
111	1. Cash		3,588,663,440	1,944,228,950
<b>120</b>	<b>II. Short-term investments</b>	6	<b>81,783,240</b>	<b>157,571,210</b>
121	1. Short-term investments		81,783,240	157,571,210
<b>130</b>	<b>III. Current accounts receivable</b>		<b>4,362,062,643</b>	<b>2,956,113,887</b>
131	1. Trade receivables	7	2,785,902,169	1,694,730,505
132	2. Advances to suppliers	8	1,249,025,710	870,124,080
135	3. Other receivables	9	328,293,202	392,823,227
139	4. Provision for doubtful debts		(1,158,438)	(1,563,925)
<b>140</b>	<b>IV. Inventories</b>		<b>2,994,763,147</b>	<b>2,213,150,611</b>
141	1. Inventories	10	2,994,816,631	2,213,663,205
149	2. Provision for obsolete inventories		(53,484)	(512,594)
<b>150</b>	<b>V. Other current assets</b>		<b>204,444,653</b>	<b>132,490,434</b>
151	1. Short-term prepaid expenses		47,251,854	32,418,109
152	2. Value-added tax deductibles		77,671,693	43,369,234
154	3. Tax and other receivables		737,960	36,986
158	4. Other current assets	11	78,783,146	56,666,105
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>7,539,999,603</b>	<b>4,792,656,182</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>4,409,784,787</b>	<b>2,517,309,488</b>
221	1. Tangible fixed assets	12	1,401,270,498	671,688,850
222	Cost		1,598,371,382	795,779,397
223	Accumulated depreciation		(197,100,884)	(124,090,547)
224	2. Finance lease	13	14,284,184	-
225	Cost		14,896,718	-
226	Accumulated depreciation		(612,534)	-
227	3. Intangible fixed assets	14	115,360,179	94,463,918
228	Cost		117,798,151	96,080,465
229	Accumulated amortisation		(2,437,972)	(1,616,547)
230	4. Construction in progress	15	2,878,869,926	1,751,156,720
<b>250</b>	<b>II. Long-term investments</b>		<b>2,855,492,612</b>	<b>2,061,446,000</b>
252	1. Investments in associates	17.2	30,931,029	69,098,898
258	2. Other long-term investments	18	2,824,561,583	1,992,347,102
<b>260</b>	<b>III. Other long-term assets</b>		<b>195,803,063</b>	<b>213,900,694</b>
261	1. Long-term prepaid expenses	19	153,570,220	141,963,630
262	2. Deferred tax assets	35.2	37,920,152	69,237,539
268	3. Other long-term assets		4,312,691	2,699,525
<b>269</b>	<b>IV. Goodwill</b>	4	<b>78,919,141</b>	<b>-</b>
<b>270</b>	<b>TOTAL ASSETS</b>		<b>18,771,716,726</b>	<b>12,196,211,274</b>

# Consolidated balance sheet (continued)

as at 31 December 2010

B01-DN/HN

VND'000

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>A. LIABILITIES</b>		<b>8,747,042,721</b>	<b>7,085,142,093</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>5,196,037,015</b>	<b>4,311,427,635</b>
311	1. Short-term loans and borrowings	20	3,092,741,335	2,991,797,773
312	2. Trade payables	21	667,296,812	197,537,916
313	3. Advances from customers	22	3,519,158	44,397,490
314	4. Statutory obligations	23	491,200,946	265,774,014
315	5. Payables to employees		22,396,670	17,811,136
316	6. Accrued expenses	24	524,740,496	644,983,946
319	7. Other payables	25	304,797,712	132,540,015
320	8. Short-term provision		21,480,614	-
323	9. Bonus and welfare fund	37	67,863,272	16,585,345
<b>330</b>	<b>II. Non-current liabilities</b>		<b>3,551,005,706</b>	<b>2,773,714,458</b>
333	1. Other long-term liabilities	26	23,718,851	23,992,393
334	2. Long-term loans and debts	27	2,782,059,650	2,248,707,163
335	3. Deferred tax liabilities	35.2	743,794,382	499,210,182
336	4. Provision for severance allowance		1,432,823	1,804,720
<b>400</b>	<b>B. OWNERS' EQUITY</b>	28	<b>9,158,714,963</b>	<b>4,694,914,864</b>
<b>410</b>	<b>I. Capital</b>		<b>9,158,714,963</b>	<b>4,694,914,864</b>
411	1. Share capital		3,115,206,970	2,704,654,580
412	2. Share premium		3,504,012,140	1,223,971,061
413	3. Consolidation reserve		(363,632,578)	(399,237,919)
415	4. Treasury shares		-	(30,091,699)
416	5. Foreign exchange differences		59,665,483	20,463,787
417	6. Investment and development fund		8,622,737	8,622,737
418	7. Financial reserve fund		210,865,390	82,528,069
420	8. Undistributed earnings		2,623,974,821	1,084,004,248
<b>500</b>	<b>C. MINORITY INTEREST</b>	29	<b>865,959,042</b>	<b>416,154,317</b>
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>18,771,716,726</b>	<b>12,196,211,274</b>



Mrs Ho Thi Kim Chi  
Chief Accountant

21 March 2011




Mr Nguyen Van Su  
General Director



Consolidated income statement

for the year ended 31 December 2010

B02-DN/HN

VND'000

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	31.1	4,526,468,760	4,370,251,754
02	2. Deductions	31.1	(1,591,144)	(4,943,033)
10	3. Net revenues from sale of goods and rendering of services	31.1	4,524,877,616	4,365,308,721
11	4. Costs of goods sold and services rendered	32	(2,232,774,917)	(2,358,546,997)
20	5. Gross profit from sale of goods and rendering of services		2,292,102,699	2,006,761,724
21	6. Income from financial activities	31.2	1,262,054,448	194,239,508
22	7. Expenses from financial activities	33	(216,598,866)	(213,430,505)
23	In which: Interest expenses		(204,970,691)	(207,443,514)
24	8. Selling expenses		(133,031,950)	(108,523,436)
25	9. General and administration expenses		(190,206,122)	(162,416,224)
30	10. Operating profit		3,014,320,209	1,716,631,067
31	11. Other income	34	21,835,172	48,461,912
32	12. Other expenses	34	(21,283,463)	(26,730,915)
40	13. Other profit	34	551,709	21,730,997
45	14. Shares of profit in associates		2,537,719	5,142,260
50	15. Profit before tax		3,017,409,637	1,743,504,324
51	16. Current corporate income tax expense	35.1	(519,431,204)	(209,954,011)
52	17. Deferred corporate income tax expense	35.2	(275,901,587)	(246,651,627)
60	18. Net profit for the year		2,222,076,846	1,286,898,686
	Attributable to:			
	18.1 Minority interest	29	128,497,729	98,045,423
	18.2 The Company's shareholders		2,093,579,117	1,188,853,263
70	19. Basic earnings per share (VND)	30	4,903	2,955

Mrs Ho Thi Kim Chi  
Chief Accountant  
21 March 2011



Mr Nguyen Van Su  
General Director

Consolidated cash flow statement

for the year ended 31 December 2010

B03-DN/HN

VND'000

Code	ITEMS	Notes	Current year	Previous year
I. CASH FLOWS FROM OPERATING ACTIVITIES				
01	Profit before tax		3,017,409,637	1,743,504,324
	Adjustments for:			
02	Depreciation and amortisation	12,13,14	77,419,079	159,105,686
03	Provisions		(864,597)	963,447
04	Unrealised foreign exchange gains		(19,594,467)	-
05	Profits from investing activities		(1,245,284,124)	(196,435,954)
06	Interest expense	33	204,970,691	207,443,514
08	Operating income before changes in working capital		2,034,056,219	1,914,581,017
09	Increase in receivables		(1,372,344,876)	(339,054,195)
10	Decrease (increase) in inventories		23,112,270	(168,204,732)
11	Increase in payables		211,651,105	37,845,131
12	(Increase) decrease in prepaid expenses		(41,440,335)	66,934,106
13	Interest paid		(192,430,264)	(189,041,621)
14	Corporate income tax paid	35.1	(286,345,194)	(212,869,539)
16	Other cash outflows from operating activities		(81,818,284)	(26,879,395)
20	Net cash from operating activities		294,440,641	1,083,310,772
II. CASH FLOWS FROM INVESTING ACTIVITIES				
21	Purchases and construction of fixed assets and long-term prepaid expenses		(2,302,664,594)	(1,357,528,506)
22	Proceeds from disposals of fixed assets and other long-term assets		10,163,800	32,965,491
25	Investments in other entities		(1,350,429,358)	(568,353,883)
26	Proceeds from sale of investments in other entities and other long-term assets		1,691,966,557	134,000,000
27	Interest and dividends received		165,232,578	85,997,296
30	Net cash used in investing activities		(1,785,731,017)	(1,672,919,602)



# Consolidated cash flow statement (continued)

for the year ended 31 December 2010

B03-DN/HN

VND'000

Code	ITEMS	Notes	Current year	Previous year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	Proceeds from capital contribution and issuance of shares	28	1,299,600,000	248,393,276
31	Proceeds from capital contribution and issuance of shares in escrow	28.1	(582,568,781)	-
31	Proceeds from disposal of treasury shares	28.3	40,154,093	-
32	Capital redemption		-	(30,091,699)
33	Borrowings received		5,142,574,833	4,720,800,925
34	Borrowings repaid		(3,054,595,653)	(2,577,048,046)
36	Dividends paid	28.1	(292,008,407)	(359,302,070)
40	Net cash from financing activities		2,553,156,085	2,002,752,386
50	Net increase in cash during the year		1,061,865,709	1,413,143,556
60	Cash at beginning of year		1,944,228,950	531,085,394
70	Cash at end of year	5	3,006,094,659	1,944,228,950

Mrs Ho Thi Kim Chi  
Chief Accountant  
21 March 2011



Mr Nguyen Van Su  
General Director

# Notes to the consolidated financial statements

as at and for the year ended 31 December 2010

B09-DN/HN

## 1. CORPORATE INFORMATION

Hoang Anh Gia Lai Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprises of Vietnam pursuant to Business Registration Certificate No. 3903000083 issued by the Department of Planning and Investment of Gia Lai Province on 1 June 2006 and the following Amended Business Registration Certificates (No. 5900377720):

First amendment	5 August 2006
Second amendment	20 December 2006
Third amendment	10 January 2007
Fourth amendment	7 March 2007
Fifth amendment	1 June 2007
Sixth amendment	19 June 2007
Seventh amendment	20 December 2007
Eighth amendment	29 August 2008
Ninth amendment	24 November 2008
Tenth amendment	13 May 2009
Eleventh amendment	11 June 2009
Twelfth amendment	15 September 2009
Thirteenth amendment	18 November 2009
Fourteenth amendment	23 December 2009
Fifteenth amendment	17 May 2010
Sixteenth amendment	17 September 2010
Seventeenth amendment	28 December 2010
Eighteenth amendment	28 January 2011

As at 31 December 2010, the Company has 49 subsidiaries and 3 associates (31 December 2009: 32 subsidiaries and 4 associates) as disclosed in Note 17 to the consolidated financial statements. At present, the Group is licensed principally to engage in developing apartments for sale and lease; construction; planting rubber and other trees; developing and operating hydro - electricity plants; mining; producing and trading furniture and granite products; building and operating hotels and resorts; and sport and entertainment activities.

The Company's head office is located at No. 15 Truong Chinh Street, Phu Dong Ward, Pleiku City, Gia Lai Province, Vietnam.

## THE BOARD OF DIRECTORS

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

Name	Position
Mr Nguyen Van Su	General Director
Mr Doan Nguyen Thu	Deputy General Director
Mr Le Van Ro	Deputy General Director
Mr Tra Van Han	Deputy General Director
Mr Nguyen Van Minh	Deputy General Director
Mr Vo Truong Son	Deputy General Director



# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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## 2. BASIS OF PREPARATION

### 2.1 Accounting standards and system

The consolidated financial statements of the Company and its subsidiaries (“the Group”), expressed in thousands of Vietnam dong (“VND’000”), are prepared in accordance with Decision No. 15/2006/QD-BTC and the Vietnamese Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

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

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

#### Accounting guidance issued but not yet effective

On 6 November 2009, the Ministry of Finance issued Circular 210/2009/TT-BTC providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments. The adoption of the circular will require further disclosures and have impact on the presentation of certain financial instruments in the financial statements. The circular will become effective for financial years beginning on or after 1 January 2011. The Group’s management is currently assessing the impact of adopting the circular on the future financial statements of the Group.

### 2.2. Registered accounting documentation system

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

### 2.3 Accounting currency

The Company maintains its accounting records in VND.

### 2.4 Fiscal year

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

# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

B09-DN/HN

## 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same period as the Company, using accounting policies consistent with the Company’s accounting policies. Adjustments are made for any differences in accounting policies that may exist to ensure consistency between the subsidiaries and the Company.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Minority interests represent the portion of profit or loss and net assets not held by the Company’s shareholders and are presented separately in the consolidated income statements and in the consolidated balance sheet.

The subsidiaries are consolidated from the date on which the Company obtains control and cease to be consolidated from the date on which the Company ceases to control. Where there is a loss of control over the subsidiaries, the consolidated financial statements still include results for the period of the reporting year during which the Company has control.

Except for subsidiaries acquired under common control which are accounted for under the pooling of interests method (Note 3.13), other subsidiaries have been included in the consolidated financial statements using the purchase method of accounting that measures the subsidiaries’ assets and liabilities at their fair value at the acquisition date.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Change in accounting policies

The accounting policies adopted by the Group are consistent with those of previous financial years except for the following:

During the financial year, the Group adopted Circular No. 244/2009/TT-BTC issued by the Ministry of Finance on 31 December 2009 (“the Circular 244”) providing amendments and supplements to the existing accounting regime. One of the key changes applicable to the Group is the classification of bonus and welfare fund as a liability in the consolidated balance sheet as opposed to the prior year’s classification as an owner’s equity item. The Circular 244 is applied retrospectively. The change has resulted in an increase in total liabilities of the Group as at 31 December 2010 by VND’000 68,031,106 (31 December 2009: increased by VND’000 16,585,345) and decrease in total owners’ equity by the same amount (see Note 37).

### 3.2 Cash

Cash comprises cash on hand, cash in banks and cash in transit.

### 3.3 Receivables

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

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



# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

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

- Raw materials, tools and supplies and merchandise goods

- Actual cost on a weighted average basis.
- Finished goods and work-in-process

- Cost of direct materials and labour plus attributable overheads based on the normal operating capacity on a weighted average basis.

Apartments for sale under construction are carried at the lower of cost and net realisable value. Costs include all expenditures including borrowing costs, directly attributable to the development and construction of the apartments. Net realisable value represents current selling price less estimated cost to complete and estimated selling and marketing expenses.

3.5 Provision for obsolete inventories

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

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

3.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of tangible fixed assets consist of their purchase prices and any directly attributable costs of bringing the fixed assets to working condition for their intended use.

Expenditures for additions, improvements and renewals are capitalised and expenditures for maintenance and repairs are charged to the consolidated income statement when incurred.

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

3.7 Leased assets

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

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

# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

B09-DN/HN

Where the Group is the lessee

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

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

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

Where the Group is the lessor

Assets subject to operating leases are included as the Group's fixed assets in the consolidated balance sheet. Lease income is recognised in the consolidated income statement on a straight-line basis over the lease term.

3.8 Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

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

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

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

Land use rights

Land use rights are recorded as intangible assets when the Group has the land use right certificates. The costs of land use rights comprise all directly attributable costs of bringing the land to the condition available for use.

Computer software

Computer software which is not an integral part of hardware is recorded as intangible asset and amortised over the term of benefits.



# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

B09-DN/HN

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Depreciation and amortisation

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

Machinery and equipment	5 - 20 years
Buildings and structures	10 - 50 years
Motor vehicles	8 - 20 years
Office equipment	3 - 10 years
Perennial trees	20 years
Land use rights	45 years
Computer software	5 years
Other assets	8 - 15 years

Land use rights with indefinite terms are not amortised.

3.10 Construction in progress

Construction in progress represents costs attributable directly to the construction of the Group's buildings, offices for lease, hydro - electricity plants and rubber plantation which have not yet been completed as at the date of these consolidated financial statements.

**Buildings and offices for lease**

Costs include attributable costs related directly to the construction of the Group's buildings and offices for lease such as contractors' costs, survey and designing fees and other costs.

**Rubber plantation costs**

Costs include attributable costs related directly to the rubber plantation such as survey, land compensation, land clearance, rubber seeds, fertilizer, transportation of rubber seeds and other materials, workers' wages, building roads and fences, fire prevention and security guards, anti-botanic drugs and other related costs.

**Hydro - electricity plants**

Costs include attributable costs related directly to the construction of hydro - electricity plants such as survey, land compensation, land clearance, machinery and equipment, construction costs, workers' wages and other related costs.

**Mining costs**

Costs include attributable costs related directly to the exploration of mining such as survey, licensing fees, workers' wages, machinery and equipment and other related costs.

3.11 Borrowing costs

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

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a particular asset are capitalised as part of the cost of the asset. Capitalisation of borrowing costs is suspended during extended years in which active development of the asset is interrupted unless such interruption is considered necessary. Capitalisation of borrowing costs is ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

B09-DN/HN

3.12 Long-term prepaid expenses

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

The following types of expenses are recorded as prepaid expenses:

- Prepaid rental;
- Prepaid insurance premium; and
- Tools and consumables with large value issued into production and can be used for more than one year.

3.13 Business combinations and goodwill

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

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortisation. Goodwill is amortised over 10-year period on a straight-line basis.

When the Company acquires the minority interests of a subsidiary, the difference between the cost of acquisition and the carrying amount of the minority interest is reflected as goodwill in the consolidated balance sheet.

Where the acquisition of subsidiary which is not a business, instead of an asset acquisition, the individual identifiable assets acquired and liabilities assumed are identified and recognised. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Where the business combinations involving entities or businesses under common control, the pooling of interest method is applied as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No new goodwill is recognised as a result of the combination;
- The consolidated income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- Comparatives are presented as if the entities had always been combined.



# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

B09-DN/HN

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.14 Disposal of investments in subsidiaries

If a parent loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost;
- recognises
  - the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; and
  - if the transaction that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution:
    - recognises any investment retained in the former subsidiary at its fair value at the date when control is lost; and
    - recognises any resulting difference as a gain or loss in profit or loss attributable to the parent.

Where there is disposal of part of an ownership interest in a subsidiary without loss of control, a reduction of an interest in a subsidiary is accounted for in a manner consistent with the accounting policy applied for accounting for an increase in an interest in a subsidiary. As a result, gain or loss on disposal of an ownership in a subsidiary is recognised in the consolidated income statement.

#### 3.15 Investments in associates

The Group’s investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence that are neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group’s share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment and is amortised over ten (10) year period. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

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

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

# Notes to the consolidated financial statements (continued)

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#### 3.16 Land held for development, investments in securities and other investments

Land held for development which is presented as part of “Other long-term investments” is carried at the lower of cost and net realisable value. Costs include all expenditures including borrowing costs directly related to the acquisition, site clearance and land compensation. Net realisable value represents estimated current selling price less anticipated cost of disposal.

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

#### 3.17 Payables and accruals

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

#### 3.18 Provision for severance allowance

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

#### 3.19 Earnings per share

Basic earnings per share amount is computed by dividing net profit for the year attributable to ordinary shareholders before any appropriation of bonus and welfare fund by the weighted average number of ordinary shares outstanding during the year, adjusted for the effect of bonus shares issued before the date of the consolidated financial statements.

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

#### 3.20 Treasury shares

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



# Notes to the consolidated financial statements (continued)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Foreign currency transactions

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

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

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

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

The impact had the Group adopted the Circular 201 for the years beginning 1 January 2009 is not material to the consolidated financial statements taken as a whole.

# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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3.22 Appropriation of net profit

Net profit after tax is available for appropriation to shareholders after approval by the shareholders at the Annual General Meeting, and after making appropriation to reserve funds in accordance with the Company’s Charter and Vietnamese regulatory requirements.

**Financial reserve fund**

Financial reserve fund is appropriated from the Company’s net profit as proposed by the Board of Management and subject to shareholders’ approval at the Annual General Meeting. This fund is set aside to protect the Company’s normal operations from business risks or losses, or to prepare for unforeseen losses or damages and force majeure, such as fire, economic and financial turmoil of the country or elsewhere etc.

**Investment and development fund**

Investment and development fund is appropriated from the Company’s net profit as proposed by the Board of Management and subject to approval by shareholders at the Annual General Meeting. This fund is set aside for use in the Company’s expansion of its operation or in-depth investments.

**Bonus and welfare fund**

Bonus and welfare fund is appropriated from the Company’s net profit as proposed by the Board of Management and subject to shareholders’ approval at the Annual General Meeting. This fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees’ material and spiritual benefits.

During the year, the Company has reclassified and presented the balance of bonus and welfare fund as a liability in the consolidated balance sheet in accordance with the requirements of Circular No. 244/2009/TT-BTC dated 31 December 2009 as disclosed in Note 3.1.

3.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Sale of apartments**

For apartments sold after completion of construction, the revenue and associated costs are recognised when the significant risks and rewards of ownership of the apartments have passed to the buyers. For apartments sold before completion of construction where the Group has material obligations to complete the apartment project and where the buyers make payments in line with the progress of construction and effectively assume market risks and rewards, the revenue and associated costs are recognised as the related obligations are fulfilled at the consolidated balance sheet date. Cost of apartments sold before completion is determined based on actual land, land development and construction costs and estimated costs to complete the project.

**Construction contracts**

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

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



# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.23 Revenue recognition (continued)

**Sale of goods**

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

**Sale of electricity**

Revenue is recognised based on the actual electricity sold and transferred to the grid at the pre-agreed tariff.

**Income from disposal of shares**

Income from disposal of investments is recognised when the share transfer procedures are completed and the involving parties have fulfilled their respective contractual obligations.

**Rental income**

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

**Rendering of services**

Revenue from rendering of services is recognized when the services are rendered and is stated net of discounts, allowances and non-refundable taxes.

**Interest**

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

#### 3.24 Taxation

**Current tax**

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

**Deferred tax**

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carried forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carried forward of unused tax credit and unused tax losses can be utilised, except:

- Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in 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 taxable entity and the same taxation authority and the taxable entity intends to settle its current tax assets and liabilities on a net basis.

Taxes paid or payable representing the required 2% of progress payments received from buyers for sales of apartments before completion is deducted from the deferred tax liabilities at the consolidated balance sheet date.

### 4. BUSINESS COMBINATIONS

#### 4.1. Acquisition of Dong Nam Real Estate Joint Stock Company

The Company's subsidiary, Hoang Anh Construction and Housing Development, acquired 99.9% interest in Dong Nam Real Estate Joint Stock Company ("DNC") from DNC's existing shareholders for a total consideration of VND'000 1,108,890,000.

Management has assessed that the acquisition of DNC is an acquisition of a group of assets, rather than a business acquisition. As a result, the excess amounting to VND'000 809,190,000 of the purchase consideration over the share in net assets of DNC on acquisition date which comprised mainly of land at the acquisition date has been recognised in the consolidated balance sheet as part of the value of DNC's land held for development (Note 18)

#### 4.2. Acquisition of additional interest in Hoang Anh Dak Lak Joint Stock Company

The Company has acquired additional 13% equity interest in Hoang Anh Dak Lak Joint Stock Company ("HADL"), an existing subsidiary, from the existing shareholders of HADL for a total consideration of VND'000 51,665,140.

Management has assessed that the acquisition of additional interest in HADL is primarily to increase control stake in the land for rubber plantation owned by HADL, rather than a business acquisition. As a result, the excess amounting to VND'000 35,229,858 of the purchase consideration over the net assets of HADL on acquisition date was attributed to the land for rubber plantation, and has been recognised in the consolidated balance sheet as part of the value of HADL's construction in progress.

#### 4.3. Additional acquisition of interest in Gia Lai Mineral Joint Stock Company

During the year, the Company has acquired additional 8.59% equity interest in Gia Lai Mineral Joint Stock Company ("GLM"), a subsidiary, from the existing shareholders of GLM for total purchase consideration of VND'000 92,471,000 and recognised a goodwill of VND'000 78,919,141.



# Notes to the consolidated financial statements (continued)

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## 5. CASH

VND'000

	<i>Ending balance</i>	<i>Beginning balance</i>
Cash in banks	3,580,756,252	1,938,118,707
Cash on hand	7,904,079	6,110,243
Cash in transit	3,109	-
<b>Total</b>	<b>3,588,663,440</b>	<b>1,944,228,950</b>

Included in cash in banks were short-term deposits amounting to VND'000 2,751,030,000 with interest rates ranging from 11% to 14% per annum.

Also cash in banks included a deposit of VND'000 582,568,781 in an escrow account which will be available for use upon completion of the listing of the outstanding Global Depositary Receipts of the Company in the London Stock Exchange's Professional Securities Market (Note 28.1).

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprised the following items:

VND'000

	<i>Ending balance</i>	<i>Beginning balance</i>
Cash	3,588,663,440	1,944,228,950
Less proceeds from capital contribution and issuance of shares in escrow	(582,568,781)	-
<b>Total</b>	<b>3,006,094,659</b>	<b>1,944,228,950</b>

## 6. SHORT-TERM INVESTMENTS

Short-term investments at 31 December 2010 represent the net carrying value of Da Lat resort which has been agreed to be disposed to a third party, pending completion of the legal procedures.

During the year, the Company completed the disposition of its Qui Nhon resort to a third party with total proceeds of VND'000 175,000,000 and recognised a gain of VND'000 99,212,030 (Note 31.2).

## 7. TRADE RECEIVABLES

VND'000

	<i>Ending balance</i>	<i>Beginning balance</i>
Receivables from sale of apartments	2,101,497,636	1,540,626,758
Trade and service receivables	268,835,770	139,319,364
Construction receivables	415,568,763	14,784,383
<b>Total</b>	<b>2,785,902,169</b>	<b>1,694,730,505</b>

Included in trade and service receivables were amounts receivable in connection with sale of land lots in Binh Hien project and sale of electricity amounting to VND'000 81,000,000 and VND'000 24,897,821 respectively.

Included in construction receivables was amount of VND'000 349,136,208 receivable for construction of the Giai Viet apartments project.

Included in trade receivables were amounts due from related parties amounting to VND'000 109,021,245 at 31 December 2010 (Note 36).

# Notes to the consolidated financial statements (continued)

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## 8. ADVANCES TO SUPPLIERS

VND'000

	<i>Ending balance</i>	<i>Beginning balance</i>
Advances to contractors for construction of the Group's apartments and acquisition of machinery and equipment	936,526,527	773,468,674
Advances to suppliers of goods and services	119,760,627	68,574,355
Advances for acquisition of land and real estate projects	154,538,556	28,081,051
Advances for share acquisition (Note 38)	38,200,000	-
<b>Total</b>	<b>1,249,025,710</b>	<b>870,124,080</b>

Included in advances to contractors were amounts due from Hongkong Tongqing International Trading Limited and Daksrong Mechanical Construction Corporation amounting to VND'000 167,972,700 and VND'000 190,505,673

Included in advances to contractors were amounts due from related parties amounting to VND'000 371,319,043 at 31 December 2010 (Note 36).

## 9. OTHER RECEIVABLES

VND'000

	<i>Ending balance</i>	<i>Beginning balance</i>
Receivable from disposal of investment	7,000,000	128,000,000
Receivables from employees (i)	91,368,218	74,971,330
Loans to other companies (ii)	56,343,034	57,385,399
Short-term loans to the employees (iii)	52,552,255	61,136,442
Accrued interest on bank deposits	34,485,835	27,521,566
Others	86,543,860	43,808,490
<b>Total</b>	<b>328,293,202</b>	<b>392,823,227</b>

(i) This represents advances to employees for asset acquisitions and specific business purposes of the Group.

(ii) These loans are unsecured and bear interest which is based on the market rate and adjusted every six months.

(iii) These loans are unsecured, have term of repayments ranging from three to twelve months from the drawdown date and bear interest rates which are based on the market rate and adjusted every six months.



Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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10. INVENTORIES

VND'000

	Ending balance	Beginning balance
Apartments for sale under construction	2,440,381,166	1,806,305,701
Finished goods	129,504,120	96,183,765
Merchandise goods	33,855,388	49,131,285
Goods in transit	369,694	9,970,486
Work in process	186,770,256	119,973,449
Of which from:		
Manufacturing	99,674,111	79,589,385
Construction contract	87,096,145	39,741,107
Rendered services	-	642,957
Raw materials	183,479,811	129,034,391
Construction materials	12,334,340	91,694
Tools and supplies	8,121,856	2,972,434
<b>Total</b>	<b>2,994,816,631</b>	<b>2,213,663,205</b>

All the apartments for sale under construction including the associated land have been mortgaged to secure the Group's outstanding borrowings.

The Group has also pledged its wooden materials with the carrying value of VND'000 47,000,000 for security of the bank loans (Note 20).

11. OTHER CURRENT ASSETS

VND'000

	Ending balance	Beginning balance
Business advances to employees	78,621,252	47,785,437
Short-term deposits	161,894	8,757,210
Others	-	123,458
<b>Total</b>	<b>78,783,146</b>	<b>56,666,105</b>

Business advances to employees represent advances for business purposes in the normal course of business of the Group.

Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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12. TANGIBLE FIXED ASSETS

VND'000

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Perennial trees	Other assets	Total
<b>Cost</b>							
Beginning balance	423,631,909	237,314,494	115,010,780	6,652,686	6,635,322	6,534,206	795,779,397
Increase	458,209,106	285,248,352	69,977,165	3,600,995	63,023	2,290,071	819,388,712
New purchases	33,622,324	147,733,365	69,977,165	3,600,995	63,023	2,290,071	257,286,943
Transfer from construction in progress (Note 15)	424,586,782	137,514,987	-	-	-	-	562,101,769
Decrease	(8,122,094)	(1,789,020)	(5,756,298)	(721,171)	-	(408,144)	(16,796,727)
Disposal	(226,977)	(1,789,020)	(7,247,083)	(128,705)	-	-	(9,391,785)
Reclassification	(7,830,479)	-	-	-	-	-	(7,830,479)
Other	(64,638)	-	1,490,785	(592,466)	-	(408,144)	425,537
Ending balance	873,718,921	520,773,826	179,231,647	9,532,510	6,698,345	8,416,133	1,598,371,382
<b>Accumulated depreciation</b>							
Beginning balance	(36,015,307)	(62,828,217)	(20,317,343)	(2,245,207)	(773,523)	(1,910,950)	(124,090,547)
Increase	(18,434,858)	(37,349,205)	(17,263,411)	(1,791,754)	(168,433)	(987,662)	(75,995,323)
Decrease	910,237	592,254	1,412,402	47,463	-	22,630	2,984,986
Disposal	98,985	592,254	1,337,885	47,463	-	-	2,076,587
Other adjustments	811,252	-	74,517	-	-	22,630	908,399
Ending balance	(53,539,928)	(99,585,168)	(36,168,352)	(3,989,498)	(941,956)	(2,875,982)	(197,100,884)
<b>Net carrying amount</b>							
Beginning balance	387,616,602	174,486,277	94,693,437	4,407,479	5,861,799	4,623,256	671,688,850
Ending balance	820,178,993	421,188,658	143,063,295	5,543,012	5,756,389	5,540,151	1,401,270,498
In which:							
Pledged/mortgaged as loan security (Notes 20 and 27)	820,178,993	421,188,658	-	-	-	-	1,241,367,651



# Notes to the consolidated financial statements (continued)

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## 13. FINANCE LEASES

	<i>Machinery &amp; equipment</i>	<i>Motor vehicles</i>	<i>VND'000</i> <i>Total</i>
<b>Cost</b>			
Beginning balance	-	-	-
Increase	3,270,000	11,626,718	14,896,718
Ending balance	3,270,000	11,626,718	14,896,718
<b>Accumulated depreciation</b>			
Beginning balance	-	-	-
Increase	(45,417)	(567,117)	(612,534)
Ending balance	(45,417)	(567,117)	(612,534)
<b>Net carrying amount</b>			
Beginning balance	-	-	-
Ending balance	3,224,583	11,059,601	14,284,184

## 14. INTANGIBLE FIXED ASSETS

	<i>Land use rights</i>	<i>Computer software</i>	<i>VND'000</i> <i>Total</i>
<b>Cost</b>			
Beginning balance	89,237,364	6,843,101	96,080,465
Increase	20,943,274	1,553,163	22,496,437
<i>New purchase</i>	13,112,795	1,553,163	14,665,958
<i>Reclassification</i>	7,830,479	-	7,830,479
Decrease	(778,751)	-	(778,751)
<i>Disposal</i>	(778,751)	-	(778,751)
Ending balance	109,401,887	8,396,264	117,798,151
<b>Accumulated amortisation</b>			
Beginning balance	(1,352,594)	(263,953)	(1,616,547)
Increase	(203,143)	(618,282)	(821,425)
Ending balance	(1,555,737)	(882,235)	(2,437,972)
<b>Net carrying amount</b>			
Beginning balance	87,884,770	6,579,148	94,463,918
Ending balance	107,846,150	7,514,029	115,360,179
<i>In which:</i>			
<i>Pledged/mortgaged as loan security (Note 27)</i>	107,846,150	-	107,846,150

# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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## 15. CONSTRUCTION IN PROGRESS

	<i>VND'000</i> <i>Ending balance</i>	<i>Beginning balance</i>
Rubber plantations	1,174,766,048	541,842,682
Hydro - electricity plants	710,217,143	445,607,334
Offices for lease	706,604,709	663,550,389
Buildings, plants and factories	150,942,011	82,011,839
Mining facilities	104,797,176	-
Other construction work	31,542,839	18,144,476
<b>Total</b>	<b>2,878,869,926</b>	<b>1,751,156,720</b>

The movement of construction in progress is presented as follows:

	<i>VND'000</i> <i>Current year</i>	<i>Previous year</i>
Beginning balance	1,751,156,720	1,145,368,811
Additions	1,823,161,849	726,291,432
Reclassification	(133,346,874)	-
Transfer to fixed assets (Note 12)	(562,101,769)	(120,503,523)
<b>Ending balance</b>	<b>2,878,869,926</b>	<b>1,751,156,720</b>

## 16. CAPITALISED BORROWING COSTS

During the year, the Company has capitalised borrowing costs amounting to VND'000 375,372,141 (31 December 2009: VND'000 151,513,542). These are costs incurred on the bank loans and bonds used to finance the construction and development of fixed assets and apartment projects.

## 17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

### 17.1. Investments in subsidiaries

During the year, the Company has spun off its An Phu Construction Branch into a joint-stock company named An Phu Construction Joint Stock Company with the charter capital of VND 150 billion, of which the Group owns 88.13%.

The Group established new subsidiaries during the year as follows:

- Hoang Anh Thanh Hoa Mining Co Ltd was established with registered capital of VND 200 billion, of which the Group owns 83.70%. This subsidiary's principal activities are to mine iron ores, non-ferrous metals, precious metal ores and process iron, copper and lead ores.
- HAGL Rubber Joint Stock Company was established with registered capital of VND 200 billion, of which the Group owns 99%. This sub-holding company's principal activities are to develop and manage the rubber plantation operations of the Group.
- Raw Materials One Member Co Ltd was established with registered capital of VND 50 billion, of which the Group owns 94.07%. This subsidiary's principal activities are to trade materials and other construction equipment.



Notes to the consolidated financial statements (continued)

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17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

17.1 Investments in subsidiaries (continued)

- Hoang Anh Rattanakiri Co Ltd was established in Cambodia with registered capital of USD 16,000,000, of which the Group owns 100%. This subsidiary's principal activities are to develop the mining operation in Cambodia.
- Hoang Anh Tona Hydro - electricity Joint Stock Company was established with registered capital of VND 150 billion, of which the Group owns 94.38%. This subsidiary's principal activities are to generate, transmit and distribute electricity and to exploit stone, sand and clay.
- K'Bang Mineral Processing One Member Co Ltd was established with registered capital of VND 100 billion, of which the Group owns 66.93%. This subsidiary's principal activities are to processing iron, bronze and leaden ores.
- Hoang Anh GL – Kontum Minerals Limited Company was established with chartered capital of VND 50 billion, of which the Group owns 83.70%. This subsidiary's principal activities are to mine iron ores, non-ferrous metals, precious metal ores and process iron, copper and lead ores.
- Hoang Anh Gia Lai Vientiane Co Ltd was established with registered capital of USD 20,000,000, of which the Group owns 100%. This subsidiary's principal activities are to trade and develop real estate including construction of head quarters, office buildings, commercial centers, hotels and apartments for rent.
- Hoang Anh Xekong Mineral Co Ltd was established in Laos with registered capital of USD 5,300,000, of which the Group owns 83.70%. This subsidiary's principal activities are to search, explore and exploit iron ore.
- Hoang Anh Oyadav Co Ltd was established in Rattanakiri, Cambodia with registered capital of USD 2,000,000, of which the Group owns 100%. This subsidiary's principal activities are to plant forest trees, rubber trees and process rubber latex.
- Heng Brothers Co Ltd was established in Phnom Penh, Cambodia with registered capital of USD 5,000,000, of which the Group owns 100%. This subsidiary's principal activities are to plant forest trees, rubber trees and process rubber latex.
- CRD Co., Ltd was established in Phnom Penh, Cambodia with registered capital of USD 1,000,000, of which the Group owns 100%. This subsidiary's principal activities are to plant forest trees, rubber trees and process rubber latex.
- Dak Lak Tan Dai Thang JSC was established in Dak Lak province, Vietnam with registered capital of VND 20 billion, of which the Group owns 69.07%. This subsidiary's principal activities are to plant forest trees, rubber trees and process rubber latex.
- Ban Me Rubber JSC was established in Dak Lak province, Vietnam with registered capital of VND 25 billion, of which the Group owns 66.60%. This subsidiary's principal activities are to plant forest trees, rubber trees and process rubber latex.

As part of the Group's restructuring, the Company transferred during the year its entire equity in the following subsidiaries at cost and by way of cash as follows:

- The Company transferred its entire ownerships in Hoang Nguyen Investment Construction and Housing JSC, Hoang Anh Me Kong JSC, Hoang Phuc Investment Construction and Housing JSC, An Phu Construction JSC and Hoang Anh Far East Service Corporation to Hoang Anh Construction and Housing Development JSC, a sub-holding company of the Group.
- The Company transferred its entire ownerships in Gia Lai Mineral JSC and Quang Ngai Mineral JSC to Hoang Anh Gia Lai Minerals JSC, a sub-holding company of the Group.
- The Company transferred its entire ownerships in Hoang Anh Thanh Hoa Hydropower JSC, Hoang Anh Tona Hydropower JSC, Hoang Anh Dak Bla Hydropower JSC and Hoang Anh Ban Me JSC to Hoang Anh Gia Lai Hydro - electricity JSC, a sub-holding company of the Group.
- The Company transferred its entire ownerships in Gia Lai Industrial Plantation JSC, Hoang Anh Quang Minh Rubber JSC and Hoang Anh Dak Lak JSC to Hoang Anh Gia Lai Rubber JSC, a sub-holding company of the Group.

Notes to the consolidated financial statements (continued)

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The foregoing transfers were accounted for under pooling of interest method where assets and liabilities were transferred at carrying values and no gain or loss was recognised.

The Company also contributed additional capital of VND’000 1,090,000,000 to Hoang Anh Construction and Housing Development (“HAH”) through the acquisition of additional 109,000,000 new shares by way of conversion of part of payables owed by HAH to the Company based on Capital Contribution Minute No. 17-06/BBGV dated 17 June 2010 between the Company and HAH. Subsequently, the Company disposed part of its equity interest in HAH of 11.75% to some investors for VND 1,167 billion and recognised a gain of VND 890 billion (Note 31.2). This resulted in reduction of the Company's equity interest in HAH to 88.21% as at 31 December 2010.

During the year, the Company has disposed its entire 51% equity interest in Hoang Viet Investment Corporation for VND 30 billion and recognised a gain of VND 20 billion.

Details of the subsidiaries which the Company has direct or effective operational control as at 31 December 2010 are as follows:

Name of subsidiaries	Location	Status of operation	Date of establishment or acquisition	% holding
Real estate				
(1) Hoang Anh Construction and Development House JSC	HCMC, Vietnam	Operating	04/06/2007	88.21
(2) Phu Hoang Anh JSC	HCMC, Vietnam	Operating	15/01/2007	82.91
(3) Hoang Nguyen Investment Construction and Housing Development JSC	HCMC, Vietnam	Operating	29/03/2007	78.50
(4) Minh Tuan Trading and Services Co Ltd	HCMC, Vietnam	Operating	22/06/2007	62.80
(5) Hoang Anh Me Kong Corporation	HCMC, Vietnam	Operating	24/10/2007	(i) 44.99
(6) Phuc Bao Minh Trading Construction Services Corporation	HCMC, Vietnam	Pre-operating	04/10/2008	87.84
(7) Minh Thanh Company Limited	HCMC, Vietnam	Pre-operating	28/11/2008	(i) 43.64
(8) Hoang Anh Incomex Construction and Housing Development Co Ltd	HCMC, Vietnam	Pre-operating	2007	70.56
(9) An Tien Co Ltd	HCMC, Vietnam	Operating	10/01/ 2008	77.40
(10) Hoang Phuc Investment Construction and Housing JSC	HCMC, Vietnam	Pre-operating	2009	(i) 44.94
(11) Hoang Anh Gia Lai (Bangkok) Co Ltd	Bangkok, Thailand	Pre-operating	2009	(i) 41.46
(12) Dong Nam Housing Business and Investment Corporation	HCMC, Vietnam	Pre-operating	02/04/2010	88.12
(13) An Phu Construction JSC	Gia Lai, Vietnam	Operating	9/2010	88.13

# Notes to the consolidated financial statements (continued)

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## 17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

### 17.1. Investments in subsidiaries (continued)

<i>Name of subsidiaries</i>	<i>Location</i>	<i>Status of operation</i>	<i>Date of establishment or acquisition</i>	<i>% holding</i>
<b>Real estate (continued)</b>				
(14) Hoang Anh Real Estate Administrative Services Corporation	HCMC, Vietnam	Operating	30/05/2007	(i) 44.99
(15) Hoang Anh Far East Service Corporation	HCMC, Vietnam	Operating	03/10/2009	64.21
<b>Energy</b>				
(16) Hoang Anh Gia Lai Hydro - electricity JSC	Gia Lai, Vietnam	Operating	05/06/2007	99.35
(17) Hoang Anh - Thanh Hoa Hydro-electric JSC	Thanh Hoa, Vietnam	Pre-operating	18/10/2007	77.49
(18) Hoang Anh Dak Bla Hydro - electricity JSC	Kontum, Vietnam	Pre-operating	30/05/2007	65.20
(19) Hoang Anh Tona Hydroelectric JSC	Gia Lai, Vietnam	Pre-operating	22/06/2010	94.38
(20) Hoang Anh Ban Me JSC	Dak Lak, Vietnam	Pre-operating	06/2009	50.67
<b>Rubber plantation</b>				
(21) HAGL Rubber JSC	Gia Lai, Vietnam	Pre-operating	26/05/2010	99.00
(22) Gia Lai Industrial Forest Plantation JSC	Gia Lai, Vietnam	Pre-operating	09/09/2008	98.76
(23) Hoang Anh Attapeu Agriculture Development Co Ltd	Attapeu, Laos	Pre-operating	22/05/2008	83.70
(24) Hoang Anh - Quang Minh Rubber JSC	Gia Lai, Vietnam	Operating	01/02/2007	64.01
(25) Hoang Anh Dak Lak JSC	Dak Lak, Vietnam	Operating	12/09/2007	81.26
(26) Dai Lam Construction and Trading JSC	Dak Lak, Vietnam	Pre-operating	17/08/2009	81.26
(27) Hoang Anh Quang Ming Rubber Industrial and Agricultural JSC	Attapeu, Laos	Operating	12/01/2007	64.01

# Notes to the consolidated financial statements (continued)

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<i>Name of subsidiaries</i>	<i>Location</i>	<i>Status of operation</i>	<i>Date of establishment or acquisition</i>	<i>% holding</i>
(28) Hoang Anh Oyadav Co Ltd	Rattanakiri, Cambodia	Pre-operating	16/07/2010	100
(29) Heng Brothers Co Ltd	Phnom Penh, Cambodia	Pre-operating	25/01/2010	100
(30) CRD Co Ltd	Phnom Penh, Cambodia	Pre-operating	15/12/2010	100
(31) Dak Lak Tan Dai Thang JSC	Dak Lak, Vietnam	Pre-operating	27/11/2010	69.07
(32) Ban Me Rubber JSC	Dak Lak, Vietnam	Pre-operating	15/01/2010	66.60
<b>Mining</b>				
(33) HAGL Mineral JSC	Gia Lai, Vietnam	Pre-operating	08/12/2007	83.70
(34) HAQN Mineral JSC	Quang Ngai, Vietnam	Pre-operating	23/02/2008	71.15
(35) Gia Lai Mineral JSC	Gia Lai, Vietnam	Operating	12/04/2007	66.93
(36) Hoang Anh - Thanh Hoa Mineral Co Ltd	Thanh Hoa, Vietnam	Pre-operating	15/03/2010	83.70
(37) Hoang Anh Rattanakiri Co Ltd	Rattanakiri, Cambodia	Pre-operating	18/11/2009	100.00
(38) K'Bang Mineral Processing 1 Member Co Ltd	Gia Lai, Vietnam	Operating	28/07/2010	66.93
(39) Hoang Anh GL – Kontum Mineral Limited Company	Kontum, Vietnam	Pre-operating	09/02/2010	83.70
(40) Hoang Anh Xekong Mineral Co Ltd	Attapeu, Laos	Pre-operating	15/10/2009	83.70



Notes to the consolidated financial statements (continued)

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17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

17.1. Investments in subsidiaries (continued)

Name of subsidiaries	Location	Status of operation	Date of establishment or acquisition	% holding
<b>Manufacturing</b>				
(41) Hoang Anh Gia Lai Wooden Furniture JSC	Gia Lai, Vietnam	Operating	28/09/2009	94.07
(42) Raw Materials 1 Member Co Ltd	Gia Lai, Vietnam	Operating	15/03/2010	94.07
<b>Construction, trading and services</b>				
(43) Hoang Anh Gia Lai Sport JSC	Gia Lai, Vietnam	Operating	12/01/2009	63.34
(44) Central HAGL JSC	Danang, Vietnam	Operating	06/07/2007	51.85
(45) Hoang Anh Gia Lai Hospital JSC	Gia Lai, Vietnam	Pre-operating	07/05/ 2008	(i) 46.20
(46) V&H Corporation (Laos) Co Ltd	Vientaine, Laos	Pre-operating	06/01/2009	80.00
(47) V&H Corporation Co Ltd	Vientaine, Laos	Pre-operating	26/03/2009	100.00
(48) Hoang Anh Gia Lai Bridge & Road JSC	Gia Lai, Vietnam	Pre-operating	22/12/2009	55.12
(49) Hoang Anh Gia Lai Vientiane Co Ltd	Vientiane, Laos	Pre-operating	06/05/2010	100.00

(i) The Group has more than 50% voting rights and control in this entity.

Pre-operating status means the subsidiary is still under investment stage and has not yet started its commercial operations as at 31 December 2010.

Notes to the consolidated financial statements (continued)

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17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES (continued)

17.2. Investments in associates

Name of associate	Business activities	Ending balance			Beginning balance		
		Number of shares	% holding	Carrying value VND'000	Number of shares	% holding	Carrying value VND'000
A Dong Investment and Construction Consultant JSC	Electric design and consultancy	500,000	25.00	7,882,160	500,000	25.00	5,504,609
Binh Dinh Constrexim JSC	Construction of hydro - electricity plant	1,100,000	42.04	15,573,259	1,000,000	39.20	14,431,170
Hoang Anh Gia Dinh JSC	Real estate	750,000	25.00	7,475,610	750,000	25.00	7,457,531
Hoang Anh - Mang Yang Rubber JSC	Plantation	-	-	-	1,815,608	40.00	41,705,588
Total				30,931,029			69,098,898

The Company has fully disposed its equity interest in Hoang Anh - Mang Yang Rubber JSC to General Rubber Corporation of Vietnam for VND'000 36,000,000 and recognised a loss of VND'000 1,806,402 (Note 31.2).

# Notes to the consolidated financial statements (continued)

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## 18. OTHER LONG-TERM INVESTMENTS

	<i>Ending balance</i>	<i>Beginning balance</i>
		VND'000
Land held for development (i)	1,975,214,497	1,217,848,242
Investments in Business Cooperation Contracts ("BCC") for development of real estate projects (ii)	539,857,250	492,991,756
Loans to the Laos Government (iii)	280,819,684	266,120,201
Investments in other companies	25,326,902	15,326,903
Investments in Government bonds	20,000	60,000
Other	3,323,250	-
<b>Total</b>	<b>2,824,561,583</b>	<b>1,992,347,102</b>

(i) The movement of land held for development during the current year follows:

	VND'000
Beginning balance	1,217,848,242
<i>Increase from:</i>	
Acquisition of the subsidiaries that is associated with the land	1,110,389,751
Interest capitalisation	30,153,958
	2,358,391,951
<i>Decrease from:</i>	
Disposal of land	(144,577,716)
Disposal of project	(4,000,000)
Transfer to inventories for development of apartments for sale	(234,599,738)
Ending balance	1,975,214,497

The increase from acquisition of subsidiary during the year includes additional land costs of VND'000 162,271,134 and the excess amounting to VND'000 809,190,000 of the purchase consideration over the net assets of DNC at the acquisition date (Note 4.1).

The decrease from disposal of land pertains to sale of 15,000 square meters of land lot in Binh Hien project.

The decrease from disposal of project pertains to the disposal of the Company's entire investment in Hoang Viet Investment Corporation.

(ii) The movement in the investments in BCC as follows:

	VND'000
Beginning balance	492,991,756
New BCC contract with Dai Loc Hung Thinh One Member Co Ltd and Tan Hai Travel Trading Services and Real Estate Trading and Investment Joint Stock Company	350,000,000
Disposal of Dai Nhan project	(103,134,506)
Disposal of Hiep Binh Phuoc project	(200,000,000)
Ending balance	539,857,250

# Notes to the consolidated financial statements (continued)

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The Company has disposed its entire equity interest in BCC with Dai Nhan Real Estates Joint Stock Company and Tan Hai Travel Trading Services and Real Estate Trading and Investment Joint Stock Company for VND'000 167,035,209 and recognised a gain of VND'000 63,900,703 (Note 31.2). It has also received back the capital contribution of VND'000 200,000,000 from the BCC in Hiep Binh Phuoc project.

The ending balance of investment in BCC comprised of:

- A BCC entered during the year between Hoang Anh Construction and Housing Development Joint Stock Company, a subsidiary, and Dai Loc Hung Thinh One Member Co Ltd and Tan Hai Travel Trading Services and Real Estate Trading and Investment Joint Stock Company to develop a residential area of 147,941 square meters at Phong Phu Village, Binh Chanh District, Ho Chi Minh City. Under the BCC, the Company has 30% interest in the project.
- BCC between Hoang Anh Construction and Housing Development JSC, a subsidiary, and Tan Thuan Investment and Construction Co Ltd to develop an apartment building on an area of 28,127 square meters in District 7, Ho Chi Minh City. Under the BCC, the Company has 45% interest in the project.

(iii) Loans to the Laos Government represent the interest-free loans in accordance with the Memorandum of Understanding signed with the Laos Government on 4 April 2008. The loans will be settled in kind in the form of wood or wood products within three years due in 2011.

## 19. LONG-TERM PREPAID EXPENSES

	<i>Current year</i>	<i>Previous year</i>
		VND'000
Beginning balance	141,963,630	331,880,376
Increase	103,100,069	97,573,931
Decrease from contract liquidations	(3,661,501)	(198,133,393)
Amortisation charge for the year	(87,831,978)	(89,357,284)
<b>Ending balance</b>	<b>153,570,220</b>	<b>141,963,630</b>

## 20. SHORT-TERM LOANS AND BORROWINGS

	<i>Ending balance</i>	<i>Beginning balance</i>
		VND'000
Convertible bonds	1,100,000,000	1,450,000,000
Short-term loans		
Loans payable to banks	1,320,027,984	842,197,137
Loans payable to other entities and individuals	-	57,000
	1,320,027,984	842,254,137
Current portion of long-term bank loans (Note 27)	672,713,351	699,543,636
<b>Total</b>	<b>3,092,741,335</b>	<b>2,991,797,773</b>



Notes to the consolidated financial statements (continued)

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20. SHORT-TERM LOANS AND BORROWINGS (continued)

20.1. Convertible bonds

- (i) The Company’s shareholders on 19 March 2010 approved the conversion of HAG-CB09 bonds with total proceeds of VND’000 1,450,000,000 into ordinary shares. Subsequently, all of the bond holders registered to exercise the conversion of their respective HAG-CB09 bonds into HAG ordinary shares up to 14 May 2010. As a result, 22,055,239 new shares were issued to reflect the additional share capital at total par value of VND’000 220,552,390 and a share premium of VND’000 1,214,447,610 recognised after deducting the bond issuance costs (Note 28.1).
- On 17 May 2010, the Company received Business Registration Certificate (fifteenth amendment) issued by the Planning and Investment Department of Gia Lai Province which approved the increase in the Company’s share capital to VND’000 2,925,206,970.
- (ii) On 19 August 2010, the Board of Management approved a detailed plan to execute the issuance of the convertible bonds amounting to VND 1,100 billion to Northbrooks Investments (Mauritius) Pte Ltd, an affiliate of Temasek Holdings Pte Ltd of Singapore in accordance with the terms and conditions stipulated in the shareholders’ resolution dated 18 August 2010. On 31 August 2010, the Company issued VND 1,100 billion convertible bonds at par value of VND 1 million per unit. The bonds have a term of one year and will be converted into equity at the bond holder’s option upon maturity. Interest is waived if conversion option is exercised at a conversion price of VND 67,375 per share which is subject to adjustments of dilution. Otherwise, interest is charged from the purchase date at the average 12-month saving deposit rate applicable to individuals of four local banks (ACB, Sacombank, Techcombank and Eximbank) plus (+) three percent per annum payable at maturity.

20.2. Loans payable to banks

Short-term loans from banks comprise the following:

	Ending balance	Beginning balance
	VND’000	
Bank for Foreign Trade of Vietnam (Vietcombank)	553,139,155	239,461,533
Bank for Investment and Development of Vietnam (BIDV)	362,226,380	175,540,593
Saigon Thuong Tin Commercial Bank (Sacombank)	276,826,128	304,647,643
Bank for Investment and Development of Cambodia PLC (BIDC)	68,290,092	-
Vietnam International Commercial Bank (VIB)	27,701,570	38,146,995
Agriculture and Rural Development Bank of Vietnam (Agribank)	25,567,390	25,090,028
Industrial and Commercial Bank of Vietnam (VietinBank)	4,496,511	-
Military Bank (MB)	1,780,758	-
Lao Viet Bank (LVB)	-	59,310,345
Total	1,320,027,984	842,197,137

The Group obtained these loans to finance its working capital requirements. The terms and conditions of loans payable to banks follow:

Notes to the consolidated financial statements (continued)

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Name of banks	Ending balance VND’000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
<b>Sacombank, Danang branch</b>				
Loan agreement No. LD 1002900, 29 January 2010	275,000,000	12 months from the drawdown date	Floating rate	Unsecured
Loan agreement No. LD0927500024, 2 October 2009	1,826,128	6 months from the drawdown date	1.00% per month	Stake filling drillers
<b>Vietinbank, Gia Lai branch</b>				
Loan agreement No. 328/HDTD	4,496,511	12 months from the drawdown date	16.20% per annum	Land use rights and all assets attached to it (VND 6,698,000)
<b>Vietcombank, Gia Lai Branch</b>				
Loan agreement 98/09/NHNT, 5 June 2009	258,035,138	12 months from the drawdown date	Floating rate	Property, plant and equipment
Loan agreement No.88/10/NHNT, 31 August 2010	33,225,873	6 months from the drawdown date	From 0.66% to 0.88% per month	Granite factory
Loan agreement No.184/10/NHNT, 21 September 2010	15,000,000	4 months from the drawdown date	0.135% per month	Wooden materials with value of VND 47 billion
Loan agreement No. 189/10/NHNT, 28 September 2010	50,000,000	6 months from the drawdown date	13.5% per annum	Unsecured
Loan agreement No. 216/10/NHNT, 10 November 2010	100,000,000	6 months from the drawdown date	From 13.20% to 16.20% per annum	Unsecured
Loan agreement No.163/09/NHNT, 12 November 2009	48,736,643	6 months from the drawdown date	0.825% per month	Unsecured
<b>Vietcombank, Quy Nhon branch</b>				
Loan agreement No.419/HDTD, 15 June 2010	4,072,336	7 months from the drawdown date	15.00% per annum	Unsecured
Loan agreement No.502/HDTD, 3 August 2010	39,541,572	7 months from the drawdown date	From 13.30% to 16.20% per annum	Building and machineries VND’000 4,582,496

# Notes to the consolidated financial statements (continued)

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## 20. SHORT-TERM LOANS AND BORROWINGS (continued)

### 20.2. Loans payable to banks (continued)

Name of banks	Ending balance VND'000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
<b>Vietcombank, Quy Nhon branch</b>				
Loan agreement No.721/HDTD, 31 December 2010	4,527,593	7 months from the drawdown date	16.20% per annum	Unsecured
<b>BIDV, Gia Lai branch</b>				
Loan agreement No. 01/2008/HD, 19 September 2008	100,000,000	6 months from the drawdown date	From 10.50% to 19.50% per annum	Unsecured
Loan agreement No.01/2010/2286682/HD 16 June 2010	5,491,960	6 months from the drawdown date	0.825% per month	Unsecured
Loan agreement No.01/2010/HD, 9 June 2010	54,985,192	6 months from the drawdown date	From 0.65% to 0.88% per month	Granite factory
<b>BIDV, Transaction Center II</b>				
Loan agreement No. 635/2009/HD, 17 December 2009	3,546,178	11 months from the drawdown date	1.00% per month	Land use rights and workshops
Loan agreement No.31/2009/100880	98,203,050	10 months from the drawdown date	10.50% per annum	Land use rights of 2,522.5 m <sup>2</sup> at Tan Hung Ward, District 7, HCMC
<b>BIDV, Binh Dinh branch</b>				
Loan agreement No. 58082000291324, 14 December 2010	100,000,000	35 days from the drawdown date	1.00% per month	Land use rights and workshops
<b>VIB-Saigon branch</b>				
Loan agreement No. 0237/HDTD2-VIB625/09	27,701,570	12 months from the drawdown date	Floating rate and quarterly adjusted	Land use rights and Central highlands Plaza apartments
<b>Agribank, branch 4, HCMC</b>				
Loan agreement No. 1902-LAV-200700577, 12 July 2007	25,567,390	12 months from the drawdown date	1.00% per month	House No 303 Phan Dinh Phung street, Ward 15, Phu Nhuan district, HCMC

# Notes to the consolidated financial statements (continued)

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Name of banks	Ending balance VND'000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
<b>MB, Ho Chi Minh branch</b>				
Loan agreement No. 18/2010/TD.NH, 12 November 2010	1,780,758	11 months from the drawdown date	6.80% per annum for USD and 14.00% for VND	Unsecured
<b>BIDC, Phnom Penh branch</b>				
Loan agreement No. 10/2010/MTC-HA.R-BIDC, 27 August 2010	29,344,600	6 months from the first withdrawn date	10.00% per annum	Deposit amount of the Company (VND 40 billion)
Loan agreement No. 16/2010/STC-HA.R-BIDC, 29 November 2010	38,945,492	6 months from the first withdrawn date	10.00% per annum	Deposit amount of the Company (VND 57 billion)

## 21. TRADE PAYABLES

	Ending balance	Beginning balance
Payable for purchase of land use rights	320,000,000	-
Payable to construction contractors	211,020,680	100,974,258
Payable for development of plantation	18,508,316	1,899,657
Payable for purchase of machines and equipment	20,778,705	5,087,065
Payable for purchase of goods and services	96,989,111	89,576,936
<b>Total</b>	<b>667,296,812</b>	<b>197,537,916</b>

Payable for purchase of land use rights represents payable to Thanh Binh Construction Investment and Consultant Limited Company for the acquisition of the Thanh Binh-Kenh Te apartment project with total purchase consideration of VND'000 640,000,000.

## 22. ADVANCES FROM CUSTOMERS

	Ending balance	Beginning balance
Advances from trade customers	3,519,158	42,900,982
Deposits from customers for purchase of apartments	-	1,496,508
<b>Total</b>	<b>3,519,158</b>	<b>44,397,490</b>



# Notes to the consolidated financial statements (continued)

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## 23. STATUTORY OBLIGATIONS

VND'000

	Ending balance	Beginning balance
Corporate income tax (Note 35.1)	366,117,378	133,031,368
Value-added tax	122,294,798	130,553,105
Personal income tax	1,553,371	943,412
Others	1,235,399	1,246,129
<b>Total</b>	<b>491,200,946</b>	<b>265,774,014</b>

## 24. ACCRUED EXPENSES

VND'000

	Ending balance	Beginning balance
Accrued construction costs for completion of the sold units of apartment	326,983,901	548,643,141
Interest expense	100,829,304	35,503,544
Operating costs	33,953,807	-
Maintenance costs	24,090,573	-
Penalties arising from late delivery of apartments to customers	18,919,867	18,982,400
Sub-contractor costs	10,796,118	-
Apartment warranty costs	5,428,359	28,994,252
Others	3,738,567	12,860,609
<b>Total</b>	<b>524,740,496</b>	<b>644,983,946</b>

## 25. OTHER PAYABLES

VND'000

	Ending balance	Beginning balance
Payables to employees	104,406,649	23,441,156
Payable for transaction costs in connection with Global Depository Receipts issued	68,400,000	-
Payable to other companies	50,114,167	53,188,942
Dividend payable	24,013,240	17,400,000
Payable for land acquisition	18,259,456	18,259,456
Payable due to late transfer of the ownership of apartments to customers	6,584,061	7,649,096
Remunerations payable to BOM members	1,217,760	-
Others	31,802,379	12,601,365
<b>Total</b>	<b>304,797,712</b>	<b>132,540,015</b>

## 26. OTHER LONG-TERM LIABILITIES

VND'000

	Ending balance	Beginning balance
Deposits received from selling Certified Emissions Reduction "CER"	19,757,878	19,757,878
Deposits received from tenants for office leases	3,902,473	4,234,515
Others	58,500	-
<b>Total</b>	<b>23,718,851</b>	<b>23,992,393</b>

# Notes to the consolidated financial statements (continued)

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## 27. LONG-TERM LOANS AND DEBTS

VND'000

	Ending balance	Beginning balance
Straight bonds	1,330,000,000	1,450,000,000
Long-term bank loans	2,107,620,384	1,498,250,799
Finance lease	11,567,600	-
Other individual loans	5,585,017	-
<b>Total</b>	<b>3,454,773,001</b>	<b>2,948,250,799</b>
<i>In which</i>		
Current portion (Note 20)	672,713,351	699,543,636
Non-current portion	2,782,059,650	2,248,707,163

### 27.1. Straight bonds

Outstanding bonds comprised bonds amounting to VND 350 billion, VND 450 billion and VND 530 billion issued by the Company and its subsidiaries as follows:

- (i) In 2008, the Company issued VND straight bonds aggregating to VND 1,000 billion as follows:
  - On 30 September 2008, the Company issued VND 550 billion and VND 100 billion straight bonds at par value of VND 1 billion per unit which are redeemable at par value by 30 September 2010 and 30 September 2011, respectively. The VND 550 billion bond bears interest rate which is equivalent to 20.50% p.a. in the first interest payment period which was paid on 30 March 2009 and 150% of the base rate announced by the State Bank of Vietnam minus a margin of 0.5% p.a. in the following periods. The VND 100 billion bond bears interest rate which is equivalent to 21.00% p.a. in the first interest payment period which was paid on 30 March 2009 and 150% of the base rate announced by the State Bank of Vietnam in the following periods. Interest is payable on 31 March and 30 September annually. The proceeds were used to finance the ongoing real estate, hydro - electricity and rubber plantation projects of the Group.
  - On 30 September 2010, the Company fully repaid the bonds due of VND 550 billion.
  - In December 2008, the Company issued another VND 100 billion and VND 250 billion straight bonds at par value of VND 1 billion per unit which are redeemable at par value by 31 December 2010 and 31 December 2011, respectively. The VND 100 billion bond bears interest rate of 12.25% p.a. in the first interest payment period and a floating rate equivalent to 150% of the base rate announced by the State Bank of Vietnam minus (-) a margin of 0.5% p.a. in the following periods. The VND 250 billion term bond bears interest rate of 12.75% p.a. in the first interest payment period and a floating rate equivalent to 150% of the base rate per annum announced by the State Bank of Vietnam in the following periods. The interest is payable in semi-annual basis which is on 30 June and 31 December. The proceeds were used to finance the working capital requirements and the ongoing real estate, hydropower and rubber plantation projects of the Group. On 31 December 2010, the Company fully repaid the bonds due of VND 100 billion.

All bonds are secured by the land use rights of Hoang Anh Riverview and Kinh Te projects of the Group, and the apartments under construction at Hoang Anh Riverview project valued at VND'000 1,821,783,170.

- (ii) Phu Hoang Anh Joint Stock Company ("PHA"), a subsidiary, issued VND straight bonds aggregating to VND 450 billion to Housing Development Commercial Joint Stock Bank of Ho Chi Minh City ("HDBank"), Saigon-Hanoi Commercial Joint Stock Bank, Vietnam International Bank and Hung Vuong Insurance Corporation in 2009. The bonds are secured by 37,624 square meters of land use rights at Lot 9, Nguyen Huu Tho Street, Phuoc Kien Ward, Nha Be District, Ho Chi Minh City and assets to be formed on this land. The proceeds were used to finance the ongoing real estate projects of a subsidiary. Details of these bonds are as follows:

# Notes to the consolidated financial statements (continued)

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## 27. LONG-TERM LOANS AND DEBTS (continued)

### 27.1. Straight bonds (continued):

- ▶ VND 200 billion straight bonds at par value of VND 1 billion per unit which are redeemable at par value by 22 May 2012. The bond bears interest rate of 11% p.a. in the first interest payment period and a floating rate equivalent to the average twelve-month term deposits plus (+) a margin of 3.5% p.a. of HDBank. The interest is payable on semi-annual basis.
- ▶ VND 250 billion straight bonds at par value of VND 1 billion per unit which are redeemable at par value by 31 December 2012 or at the time of repurchase by PHA. PHA has the right to repurchase these bonds before maturity after 2 years from the issuance date. The bond bears interest rate of 12% p.a. in the first interest payment period and a floating rate equivalent to the average twelve-month term deposits plus (+) a margin of 3.5% per annum of HDBank and Vietnam International Bank but not lower than 12% p.a. The interest is payable on semi-annual basis.

- (iii) On 8 October 2010, the Company issued to some investors VND 530 billion straight bonds at par value of VND 1 billion per unit which will be redeemable at par value by 8 October 2013. The bonds bear interest rate of 15.2% per annum in the first interest payment period and an average 12-month saving deposit rate applicable to individuals of four local banks plus (+) a margin of 4.2% per annum in the following periods. The proceeds will be used to finance the working capital requirements and the ongoing real estate, hydro - electricity and rubber plantation projects of the Group. The bonds are secured by 30 million HAG shares of the Chairman amounting to VND 2,267 billion.

### 27.2. Long-term bank loans

Details of the long-term bank loans are as follows:

VND'000

	Ending balance	Beginning balance
Bank for Investment and Development of Vietnam (BIDV)	1,134,037,451	660,671,767
Bank for Foreign Trade of Vietnam (Vietcombank)	488,690,560	387,845,616
Saigon Thuong Tin Commercial Bank (Sacombank)	336,752,373	174,880,238
Ho Chi Minh City Housing Development Bank (HDB)	-	139,353,178
Agriculture and Rural Development Bank of Vietnam (Agribank)	98,000,000	100,000,000
Industrial and Commercial Bank of Vietnam (VietinBank)	29,500,000	35,500,000
Asia Commercial Bank (ACB)	20,640,000	-
<b>Total</b>	<b>2,107,620,384</b>	<b>1,498,250,799</b>

The Group obtained these loans mainly to finance the construction and development of hydro - electricity projects, rubber plantation, apartment projects, hotels and resorts and purchases of machinery and equipment.

These loans bear interest at floating rates, have common terms ranging from 36 to 144 months and are secured by the Group's land use rights, apartments, plants and buildings, machinery and equipment, shares of its subsidiaries, and inventories.

# Notes to the consolidated financial statements (continued)

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Detail of long-term bank loans at 31 December 2010 were as follows:

Name of banks	Ending balance VND'000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
<b>BIDV, Dak Lak branch</b>				
Loan agreement No. 01/2008/HDTD, 12 August 2008	82,783,780	60 months from the drawdown date	12-month deposit rate plus 3% per annum	8,900 m2 land use rights at 33 Nguyen Cong Tru, Buon Me Thuot City, Dak Lak Province
Loan agreement No. 01/2009/HDTD on 6 August 2009 (TK 63182000158703)	10,043,814	120 months from the first drawdown date	12-month saving deposit interest rate plus 4.00% per annum	All assets from Dakpsi 2B
Loan agreement No. 01/2007/HDTD on 08 August 2007 (TK 63182000093530)	3,996,212	60 months from the first drawdown date	12-month saving deposit interest rate plus 4.00% per annum	All assets and right occurred after investment - period I; income of all projects
Loan agreement No. 01/2009/HDTD on 20 January 2009 (TK 63182000136338)	3,435,000	60 months from the first drawdown date	12-month saving deposit interest rate plus 4.50% per annum	All assets financed by this loan
<b>BIDV, Gia Lai Branch</b>				
Loan agreement No. 01/2004/HD, 25 August 2004	18,114,573	108 months from the first drawdown, comprising a 24-month grace period and a 84-month repayment period	1.09% per month	All assets at Hoang Anh Gia Lai Hotel
Loan agreement No. 01/2008/HD, 5 September 2008	24,420,501	60 months from the first drawdown, comprising a 18-month grace period and a 42-month repayment period	1.06% per month	HAGL head office building at Gia Lai province
Loan agreement No. 01/2009/HDTD -DH, 28 October 2009	47,695,542	12 years from the drawdown date	10.50% per annum	2,200 ha rubber at Mang Yang District, Gia Lai



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27. LONG-TERM LOANS AND DEBTS (continued)

27.2. Long-term bank loans (continued):

Name of banks	Ending balance VND'000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
<b>BIDV, Gia Lai Branch</b> (continued)				
Loan agreement No. 01/2009/HDTD -DH, 27 November 2009	32,523,000	11 years from the drawdown date	10.50% per annum	4,800 ha rubber at Chu Se District, Gia Lai
Loan agreement No.01/2010/HD-TD, 1 April 2010	297,516,380	21 December 2020	Reference rate plus 4.70% per annum	Contributed capital in Hoang Anh Attapeu; assets owned by the Company; HAG shares held by the Chairman; other assets in collateral contract
<b>BIDV, Binh Dinh branch</b>				
Loan agreement No.01/2005/HD, 14 July 2005	27,850,441	60 months from the drawdown date	Floating rate	Land use rights, materials and equipment to build the apartment
<b>BIDV, Thanh Hoa branch</b>				
Loan agreement No. 01/2010/BT2-HDTD, 10 January 2010	218,803,208	144 months from the first drawdown	Fixed-term deposit 12 months + 3.5%/year	All assets of Ba Thuoc II hydro - electricity project
<b>BIDV, Gia Dinh branch</b>				
Contract No.135/2007/0000294, 9 April 2007	366,855,000	72 months from the first drawdown	Fixed-term deposit + 4.0%/year	Land use right and all assets of New Saigon
<b>Vietcombank, Gia Lai Branch</b>				
Loan Agreement No. 140/05, 18 May 2005	69,397,812	120 months from the signing date, repayable annually	Interest rate at each drawdown	Land use rights and all assets of Danang Plaza project
Loan Agreement No. 125/10/NHNT, 25 January 2010	7,472,955	60 months from the first drawdown date	14.50% per annum and adjusted as per declaration of VCB	Asset, Machine, Equipment
Loan agreement No. 01/2009/HAGLH-HDTD, 20 March 2009	231,000,000	120 months from the first drawdown date, 26 March 2009 with grace period of 2 years	Reference rate + 3.00% per annum (subsidy interest rate 4.00% per annum)	All assets from project Daksrong 2

Notes to the consolidated financial statements (continued)

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Name of banks	Ending balance VND'000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
Loan agreement No. 02/2009/HAGLH-HDTD, 5 August 2009	169,135,034	120 months from the first drawdown date with grace period 2 years	Reference rate + 3.40%/year (subsidy interest rate 4.00% per annum)	All assets from project Daksrong 2A
<b>Vietcombank, Phu Tai branch</b>				
Loan agreement No. 192/NHNT, 23 June 2008	700,000	60 months from the first drawdown date	10.50% per annum	Land use rights for Lot B3,B8a, B8b, B9, A26
Loan agreement No. 283/NHNT, 16 September 2008	3,428,104	50 months from the first drawdown date	10.50% per annum	Assets formed from the loans
Loan agreement No. 141/NHTD, 20 March 2009	4,082,174	60 months from the first drawdown date	10.50% per annum	Assets formed from the loans
Loan agreement No. 374/NHTD, 29 June 2009	689,365	60 months from the first drawdown date	12.00% per annum	Assets formed from the loans
Loan agreement No. 366/NHTD, 21 April 2010	2,785,116	Payment within 66 months from the first drawdown date	14.50% per annum	Assets formed from the loans
<b>Sacombank, Danang branch</b>				
Loan Agreement No. 10270, dated 28 May 2009	157,014,987	Repayment within 72 months from the drawdown date	0.875% per month for the first six months; and will be determined at the 13 month deposit rate plus 0.36% per month for the following months, adjusted twice per annum	Land in Binh Hien Ward - Binh Thuan, Hai Chau, Danang; Land in Bau Thac Gian, Thac Gian Ward, Danang; land in Hao Hai Ward, Ngu Hanh Son, Danang
Loan Agreement No. 7683, 6 August 2007	37,968,750	120 months, repayable in 32 quarterly instalments starting in December 2009	1.1% per month for the first six months; and will be determined at the 13 month saving deposit rate plus 0.45% per month, adjusted twice per annum	Land in Nguyen Van Linh, Hai Chau Ward, Danang
Loan agreement No. LD 0931400065, 10 November 2009	45,000,000	96 months from the drawdown date	0.875% per month	Land in No.2, Phan Lang building, Danang

Notes to the consolidated financial statements (continued)

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27. LONG-TERM LOANS AND DEBTS (continued)

27.2. Long-term bank loans (continued)

Name of banks	Ending balance VND'000	Term and maturity date	Interest rate	Collateral (Notes 10, 12 and 14)
<b>Sacombank, Gia Lai branch</b>				
Loan agreement No. 6100002968 dated 8 June 2009; 6100002992 dated 11 June 2009; 6100003016 dated 17 June 2009; 610 0003040 dated 25 June 2009; 610 0003115 dated 30 June 2009	12,491,545	36 months, repayable starting on 27 September 2009	0.865% per month	All car in contract no 108/2009/ CN-GL, 104/2009/ CN-GL,100/2009/ CN-GL,98/2009/CN-GL,95/2009/CN-GL
Loan agreement No. LD1026300132, 20 September 2010	2,566,670	36 months from the drawdown date	1.30% per month	Machineries Komatsu
Loan agreement No. LD1024200255, 30 August 2010	81,710,421	103 months from 30 August 2010 to 9 April 2019	1.30% for the first month, afterward interest rate depends on each drawdown date	Project Daksrong 3B
<b>Agribank, Branch 9, HCMC</b>				
Loan contract No. 01307033/HDTD, 18 October 2007	98,000,000	60 months from the contract date	1.20% per month	Total value of construction Phuoc Long B equivalent to VND 117 billion
<b>Vietinbank, Gia Lai branch</b>				
Loan contract No. 15/ HDTD, 5 February 2005	29,500,000	96 months, repayable in 32 quarterly instalments starting on 25 March 2007	the 12- month deposit rate plus 3.00% per annum, and adjusted twice per annum on 1 February and 1 August	All assets at Hoang Anh Da Lat resort which were formed from and financed by the loan
<b>ACB, Gia Lai branch</b>				
Contract No. GILDN05281010	20,640,000	120 months from the first drawdown date	13-month saving deposit interest rate of ACB plus 3.80% plus additional margin if the State Bank of Vietnam changes the required reserve ratio	4,383 ha rubber project at EaH'leo District and Ja Loi Ward, Easuop District, Dak Lak

Notes to the consolidated financial statements (continued)

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28. OWNERS' EQUITY

28.1. Increase and decrease in owners' equity

	Share capital	Share premium	Consolidation reserve	Treasury shares	Foreign exchange differences	Investment and development fund	Financial reserve fund	Undistributed earnings	Total
Beginning balance	2,704,654,580	1,223,971,061	(399,237,919)	(30,091,699)	20,463,787	8,622,737	82,528,069	1,084,004,248	4,694,914,864
Issuance of new shares for bond conversion (Note 20.1)	220,552,390	1,214,447,610	-	-	-	-	-	-	1,435,000,000
Issuance of new shares for cash	190,000,000	1,109,600,000	-	-	-	-	-	-	1,299,600,000
Net profit for the year	-	-	-	-	-	-	-	2,093,579,117	2,093,579,117
Remuneration of the Board of Management and Supervisors	-	-	-	-	-	-	-	(9,940,743)	(9,940,743)
Dividends paid	-	-	-	-	-	-	-	(292,008,407)	(292,008,407)
Sale of treasury shares	-	10,062,394	-	30,091,699	-	-	-	-	40,154,093
Foreign exchange differences	-	-	-	-	39,201,696	-	-	-	39,201,696
Appropriation to financial and bonus reserve funds	-	-	-	-	-	-	-	(251,659,394)	(123,322,073)
Reclassification	-	(54,068,925)	54,068,925	-	-	-	-	-	-
Consolidation reserve	-	-	(18,463,584)	-	-	-	-	-	(18,463,584)
Ending balance	3,115,206,970	3,504,012,140	(363,632,578)	-	59,665,483	8,622,737	210,865,390	2,623,974,821	9,158,714,963



# Notes to the consolidated financial statements (continued)

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28. OWNERS’ EQUITY (continued)

28.1. Increase and decrease in owners’ equity (continued)

The Company issued 16,216,250 and 2,783,750 ordinary shares on 17 December and 20 December 2010 to Deutsche Bank Trust Company Americas and Saigon Securities Inc. with total proceeds of VND’000 1,167,570,000 and VND’000 200,430,000, respectively, in connection with the Company’s Global Depositary Receipts (“GDRs”) listing in the London Stock Exchange’s Professional Securities Market based on the resolutions of the shareholders and the Board of Management. Of the total proceeds from Deutsche Bank, VND’000 582,568,781 was deposited in escrow account as at balance sheet date and was subsequently released upon completion of the GDR listing process as at 21 March 2011.

On 28 December 2010, the Company received the amended Business Registration Certificate (seventeenth amendment) issued by the Planning and Investment Department of Gia Lai Province which approved the increase in the Company’s share capital to VND’000 3,115,206,970.

28.2. Shares

	Current year	Previous year
	Shares	Shares
Shares authorised to be issued	311,520,697	270,465,458
Shares issued and fully paid	311,520,697	270,465,458
Ordinary shares	311,520,697	270,465,458
Treasury shares	-	512,290
Ordinary shares held by the Company	-	512,290
Outstanding shares	311,520,697	269,953,168
Ordinary shares	311,520,697	269,953,168

28.3 Treasury shares

In October 2010, the Company has disposed its entire 512,290 treasury shares with total proceeds of VND’000 40,154,093 and recorded a gain of VND’000 10,062,394 in the share premium.

29. MINORITY INTERESTS

	VND’000
Beginning balance	416,154,317
Share of profit during the year	128,497,729
Sale of shares in subsidiaries and new capital contributions	416,814,286
Dividends paid	(95,507,290)
Ending balance	865,959,042

# Notes to the consolidated financial statements (continued)

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30. EARNINGS PER SHARE

The following table shows the income and share data used in the basic and diluted earnings per share calculations:

	Current year	Previous year
		(restated)
Net profit attributable to ordinary equity holders of the parent (VND’000)	2,093,579,117	1,188,853,263
Interest on convertible bonds charged to income statement (VND’000)	7,198,000	-
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution (VND’000)	2,100,777,117	1,188,853,263
Weighted average number of ordinary shares during the year for basic earnings per share	284,691,818	268,250,552
Weighted average number of bonus shares	142,345,909	134,125,276
Adjusted weighted average number of ordinary shares for basic earnings per share	427,037,727	402,375,828
Adjusted weighted average number of potential shares from convertible bonds	8,118,535	3,988,112
Weighted average number of ordinary shares adjusted for the effect of dilution	435,156,262	406,363,940
Earnings per share		
Basic earnings per share (VND)	4,903	2,955
Diluted earnings per share (VND)	4,828	2,926

The weighted average number of ordinary shares has been retrospectively adjusted for the bonus shares issued in January 2011.

# Notes to the consolidated financial statements (continued)

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## 31. REVENUES

### 31.1 Revenues from sale of goods and rendering of services

	VND'000	
	Current year	Prior year
<b>Gross revenues</b>	<b>4,526,468,760</b>	<b>4,370,251,754</b>
Of which:		
Sale of apartments	2,833,440,471	3,373,859,483
Sale of goods	889,537,818	543,253,583
Revenue from construction contracts	619,144,525	319,242,570
Revenue from services	161,711,563	133,896,118
Sale of electricity	22,634,383	-
<b>Less</b>	<b>(1,591,144)</b>	<b>(4,943,033)</b>
Sales returns	(1,255,299)	(4,943,033)
Special sale tax	(335,845)	-
<b>Net revenues</b>	<b>4,524,877,616</b>	<b>4,365,308,721</b>
Of which:		
Sale of apartments	2,833,440,471	3,373,859,483
Sale of goods	888,282,519	538,519,063
Revenue from construction contracts	619,144,525	319,242,570
Rendering of services	161,375,718	133,687,605
Sale of electricity	22,634,383	-

Revenue from sale of goods includes proceeds of VND'000 396,000,000 from sale of 15,000 square meters of land lots in Binh Hien project during the year (Note 18).

### 31.2 Income from financial activities

	VND'000	
	Current year	Previous year
Gain on disposal of equity investment	1,071,825,831	102,889,197
Interest income from bank deposits	164,840,271	53,197,663
Foreign exchange gains	19,594,467	7,450,806
Gain on disposal of investment in associate	2,294,412	-
Interest income from loans to individuals	2,045,489	11,024,678
Dividend	884,537	1,916,715
Income from trust investments	-	16,768,800
Others	569,441	991,649
<b>Total</b>	<b>1,262,054,448</b>	<b>194,239,508</b>

# Notes to the consolidated financial statements (continued)

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Gain on disposal of equity and other investments pertains to the following disposals:

	VND'000
	Current year
Disposal of the Company's partial equity interest in Hoang Anh Construction and Housing Development JSC, a subsidiary (Note 17.1)	890,419,500
Disposal of Qui Nhon resort (Note 6)	99,212,030
Disposal of the investment in Dai Nhan project (Note 18)	63,900,703
Disposal of investment in Hoang Viet Investment JSC, a subsidiary (Note 17.1)	20,000,000
Disposal of investment in Hoang Anh - Mang Yang Rubber Plantation JSC, an associate (Note 17.2)	(1,806,402)
Others	100,000
<b>Total</b>	<b>1,071,825,831</b>

## 32. COSTS OF GOODS SOLD AND SERVICES RENDERED

	VND'000	
	Current year	Previous year
Cost of apartments sold	1,445,787,203	1,681,180,646
Cost of goods sold	502,143,604	384,391,396
Cost of construction contracts	179,811,674	171,498,379
Cost of services rendered	98,435,779	121,476,576
Cost of electricity sold	6,596,657	-
<b>Total</b>	<b>2,232,774,917</b>	<b>2,358,546,997</b>

Cost of goods sold includes cost of 15,000 square meters of land lot sold amounting to VND'000 144,577,716 in Binh Hien project (Note 18).

## 33. EXPENSES FROM FINANCIAL ACTIVITIES

	VND'000	
	Current year	Previous year
Interest expense on bank loans and bonds issued	204,970,691	207,443,514
Foreign exchange loss	-	5,368,425
Others	11,628,175	618,566
<b>Total</b>	<b>216,598,866</b>	<b>213,430,505</b>



# Notes to the consolidated financial statements (continued)

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## 34. OTHER INCOME AND EXPENSES

	VND'000	
	Current year	Previous year
<b>Other income</b>	<b>21,835,172</b>	<b>48,461,912</b>
Proceeds from disposal of fixed assets	10,163,800	4,331,983
Sales of scrap materials	6,854,947	9,992,765
Compensation received	884,121	3,115,992
Gain on disposal of land	-	28,633,508
Others	3,932,304	2,387,664
<b>Other expenses</b>	<b>(21,283,463)</b>	<b>(26,730,915)</b>
Net carrying amounts of disposed assets	(10,720,783)	(16,459,788)
Bad debts written off	(4,189,784)	-
Cost of scrap materials	(202,798)	(4,143,431)
Compensation paid	-	(3,531,558)
Others	(6,170,098)	(2,596,138)
<b>Net other profit</b>	<b>551,709</b>	<b>21,730,997</b>

## 35. CORPORATE INCOME TAX

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

The CIT expense for the year comprised:

	VND'000	
	Current year	Previous year
Current tax	519,431,204	209,954,011
Deferred tax	275,901,587	246,651,627
<b>Total</b>	<b>795,332,791</b>	<b>456,605,638</b>

### 35.1. Current CIT

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using applicable tax rates that have been enacted by the balance sheet date.

# Notes to the consolidated financial statements (continued)

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	VND'000	
	Current year	Previous year
<b>Profit before tax</b>	<b>3,017,409,637</b>	<b>1,743,504,324</b>
Adjustments to increase		
Revenue from sale of apartments recognised in prior years but was taxable in the current year	716,109,238	1,031,956,167
Cost of sale of apartments recognised in the current year but not yet taxable	1,354,170,730	1,695,652,999
Non-deductible cost of electricity generated and sold	6,596,657	-
Cost of non-taxable construction work rendered	-	164,920,172
Land cost allocation	93,094,013	76,259,873
Accrued expenses	77,097,582	183,504,104
Losses of subsidiaries	78,920,516	44,422,616
Non-deductible cost of disposal of an associate	-	9,110,803
Non-deductible expenses	26,070,536	6,341,899
Adjustments to decrease		
Revenue from sale of apartments recognized in the current year but was not yet taxable	(2,780,876,979)	(3,343,133,037)
Cost from sale of apartments recognized in prior years and was taxable in the current year	(472,647,052)	(658,205,379)
Tax-exempt revenue from sale of electricity	(22,634,383)	-
Intra-group unrealised profit	(1,392,515)	(109,109,170)
Non-taxable revenue from construction work rendered	-	(241,748,669)
Reversal of shared profit from disposal of an associate	(2,294,412)	-
Share of profit in associates	(2,537,719)	(5,142,260)
Dividend received	(884,537)	(1,804,491)
Last year's accrued expenses paid in the current year	(112,693,601)	(45,741,081)
Minority interest's share of loss on disposal of treasury shares	-	(3,622,915)
Others	-	(8,507,974)
<b>Adjusted profit before loss carried forward</b>	<b>1,973,507,711</b>	<b>538,657,981</b>
Tax loss brought forward	(93,971,703)	-
<b>Estimated current taxable profit</b>	<b>1,879,536,008</b>	<b>538,657,981</b>
Estimated current CIT at rate 25%	469,884,004	134,664,495
Advance CIT payable on progress payments from buyers	51,492,396	72,301,999
Net CIT deduction in prior year	(1,945,196)	2,987,517
<b>Estimated current CIT expense</b>	<b>519,431,204</b>	<b>209,954,011</b>

Advance CIT payable on progress payments from buyers is computed at 2% of cash advances received from buyers in connection with sales of apartments during the current and previous years in accordance with Circular No. 130/2008/TT-BTC dated 26 December 2008 issued by the Ministry of Finance.

Net income tax reduction represents the 30% reduction on CIT payable of 2009 and the fourth quarter of 2008 of the Company's subsidiary based on Circular No. 03/2009/TT-BTC issued by the Ministry of Finance on 13 January 2009 which provides guidance on CIT reduction and deferment for small and medium enterprises according to Resolution No. 30/2008/NQ-CP issued by the Government on 11 December 2009 and the under provision of current income tax in prior years.

# Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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## 35. CORPORATE INCOME TAX (continued)

### 35.1. Current CIT (continued)

	Current year	Previous year
	VND'000	
CIT payable at beginning of year	133,031,368	135,946,896
Estimated current income tax expense	519,431,204	209,954,011
CIT paid during the year	(286,345,194)	(212,869,539)
<b>CIT payable at end of year (Note 23)</b>	<b>366,117,378</b>	<b>133,031,368</b>

### 35.2. Deferred tax

The following comprise the Group's deferred tax assets and the movements thereon during the year.

	Consolidated balance sheet		Debited (credited) to current year consolidated income statement
	Ending balance	Beginning balance	
	VND'000		
<b>Deferred tax assets</b>			
Tax losses of subsidiaries	4,800,809	19,450,913	14,650,104
Unrealised intra-group profit	348,129	3,910,600	3,562,471
Accrued expenses	32,771,214	45,876,026	13,104,812
	<b>37,920,152</b>	<b>69,237,539</b>	
<b>Deferred tax liabilities</b>			
Negative goodwill	61,439,435	61,439,435	-
Profit from apartment sale but was not yet taxable	806,149,342	510,072,746	296,076,596
Advance CIT payable on progress payments from buyers	(123,794,395)	(72,301,999)	(51,492,396)
	<b>743,794,382</b>	<b>499,210,182</b>	
<b>Net deferred income tax debited to income</b>			<b>275,901,587</b>

## 36. TRANSACTIONS WITH RELATED PARTIES

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

Related parties	Relationship	Transactions	Amounts
			VND'000
Truc Thinh Trading and Services Co Ltd	Related party	Construction of apartments for the Group	61,761,597
		Sales of goods	39,217,519
Huynh De Construction Corporation	Related party	Construction of apartments for the Group	66,356,661
Binh Dinh Constrexim JSC	Associate	Construction for the Group	17,195,188
Doan Nguyen Duc	Chairman	Reimbursement of expenses	2,378,960

# Notes to the consolidated financial statements (continued)

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Amounts due to and due from related parties at 31 December 2010 were as follows:

Related parties	Relationship	Transactions	Receivable (Payable)
			VND'000
<b>Trade receivables</b>			
Truc Thinh Trading and Services Company Limited	Related party	Sales from construction	106,923,598
Huynh De Construction Corporation	Related party	Sales from construction	2,097,647
<b>Total</b>			<b>109,021,245</b>
<b>Related parties</b>	<b>Relationship</b>	<b>Transaction</b>	<b>Receivable (Payable)</b>
<b>Advances to suppliers</b>			
Huynh De Construction Corporation	Related party	Advances for construction work	227,154,207
Truc Thinh Trading and Services Company Limited	Related party	Advances for construction work	144,164,836
<b>Total</b>			<b>371,319,043</b>

## 37. RECLASSIFICATIONS

During the year, the Company has reclassified and presented the balance of bonus and welfare fund as a liability in the consolidated balance sheet in accordance with the requirements of Circular No. 244/2009/TT-BTC dated 31 December 2009.

Accordingly, certain corresponding figures were reclassified to conform with the current year's presentation.

	As previously stated	Reclassification	Restated amounts
			VND'000
<b>Liabilities</b>	<b>7,068,556,748</b>	<b>16,585,345</b>	<b>7,085,142,093</b>
<b>Current liabilities</b>	<b>4,294,842,290</b>	<b>16,585,345</b>	<b>4,311,427,635</b>
Bonus and welfare fund	-	16,585,345	16,585,345
<b>Owners' equity</b>	<b>4,711,500,209</b>	<b>(16,585,345)</b>	<b>4,694,914,864</b>
<b>Other funds</b>	<b>16,585,345</b>	<b>(16,585,345)</b>	<b>-</b>
Bonus and welfare fund	16,585,345	(16,585,345)	-

## 38. COMMITMENTS AND CONTINGENCIES

### Operating lease commitments

The Group leases parcels of land in Vietnam to build factories, football facilities, hotels and for rubber trees plantation. The future minimum lease commitments under the operating lease agreements is as follows:



Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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38. COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitments (continued)

VND'000

	Ending balance	Beginning balance
Less than 1 year	4,308,523	3,519,599
From 1-5 years	18,514,583	15,358,887
More than 5 years	228,556,676	144,260,146
<b>Total</b>	<b>251,379,782</b>	<b>163,138,632</b>

Capital expenditure commitments

At 31 December 2010, the Group has contractual commitments for the construction work for its apartment and hydropower plant projects as follows:

VND'000

	Contracted amount	Recognised amount	Remaining commitment
<b>Apartments</b>			
Golden House	455,921,918	189,596,353	266,325,565
Phu Hoang Anh	1,455,035,622	627,356,244	827,679,378
Tay Nguyen Plaza	21,068,972	18,979,549	2,089,423
<b>Hydropower plants</b>			
Ba Thuoc 1	66,089,981	6,589,020	59,500,961
Ba Thuoc 2	687,355,380	234,817,864	452,537,516
Daksrong 2A	198,607,526	64,878,712	133,728,814
<b>Total</b>	<b>2,884,079,399</b>	<b>1,142,217,742</b>	<b>1,741,861,657</b>

Capital contribution commitment

On 22 March 2010, the Company signed a share purchase agreement with Dai Truong Phat Corporation to acquire 55% equity interest in Global Industrial Mineral Co Ltd for total consideration of USD 6,000,000, equivalent to VND'000 101,592, 000. Under the agreement, the Company has made an advance payment of VND'000 38,200,000 to Dai Truong Phat Corporation and the remaining amount of VND'000 63,092,000 will be paid upon completion of the transfer. At 31 December 2010, the legal transfer procedures have not yet been completed.

Contingencies

- The Company is currently contesting a preliminary finding of a team from the State Audit of Vietnam in connection with the tax filing of one of the Group's real estate subsidiary. The State Audit examination is part of its review of the performance of the local tax administration agency. The State Audit recommended that the subsidiary pays a temporary income tax advance related to the progress payments received from the buyers in addition to the required 2% advance tax on progress payments received from the buyers in accordance with Circular No. 130/2008/TT-BTC dated 26 December 2008 issued by the Ministry of Finance. The Company's existing treatment is to accrue adequately

Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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- the deferred income tax on the profits earned from the pre-completion sales of apartments during the construction period and to declare and pay income tax in full upon delivery of apartments to the buyers. Management believes that this matter will be ultimately resolved in favour of the subsidiary.
- The Company has provided guarantees amounting to VND 114 billion to secure borrowings of some customers in connection with purchase of Group's apartments.

39. SEGMENT INFORMATION

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

- Real estate: developing apartments for sale and lease;
- Production: producing and trading furniture and granite products;
- Trading and services: managing properties and trading of goods;
- Construction: building apartments;
- Football club: operating the football club and providing sport and entertainment services;
- Power: developing and operating hydro - electricity plants;
- Mining: exploiting and selling iron ore; and
- Plantation: planting rubber trees, processing and trading of rubber latex and rubber wood.

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

The segment information of the hospitality industry has been combined into the trading and services industry during the year as the hospitality industry is currently not the Group's core business.

Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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39. SEGMENT INFORMATION (continued)

	Real estate	Production	Trading and services	Construction	Football club	Plantation	Energy	Mining	Eliminations	Total
For the year ended 31 December 2010										
Revenue										
External customers	2,833,440,471	888,282,519	142,987,275	619,144,525	18,388,443	-	22,634,383	-	-	4,524,877,616
Inter-segment	-	542,806,796	18,648,537	381,257,274	21,866,686	-	-	-	(964,579,293)	-
Total	2,833,440,471	1,431,089,315	161,635,812	1,000,401,799	40,255,129	-	22,634,383	-	(964,579,293)	4,524,877,616
Results										
Segment results	1,387,653,268	386,138,915	58,316,800	439,332,851	4,623,139		16,037,726			2,292,102,699
Unallocated expenses										(322,686,363)
Profit before income tax, financial revenue and financial costs										1,969,416,336
Financial revenue										1,262,054,448
Share in profit of associates										2,537,719
Financial costs										(216,598,866)
Profit before tax										3,017,409,637
Income tax expense										(795,332,791)
Net profit for the year										2,222,076,846
As at 31 December 2010										
Assets and liabilities										
Segment assets	8,123,183,393	512,487,789	324,020,351	1,058,631,409	57,027,970	1,511,053,016	1,648,922,755	563,758,813	-	13,799,085,496
Cash of the Group										3,588,663,440
Investments in associates										30,931,029
Unallocated assets										1,353,036,761
Total assets										18,771,716,726
Segment liabilities	(3,487,091,785)	(254,844,475)	(125,212,292)	(633,895,767)	(876,994)	(565,474,970)	(978,774,316)	(90,950,466)	-	(6,137,121,065)
Unallocated liabilities										(2,609,921,656)
Total liabilities										(8,747,042,721)

Notes to the consolidated financial statements (continued)

as at and for the year ended 31 December 2010

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40. EVENTS AFTER THE BALANCE SHEET DATE

- a) On 26 January 2011, the Company issued bonus shares to existing shareholders at 2:1 ratio (one new share for every two existing shares), of which 60% was funded from undistributed earnings of the year 2009 and 40% was taken from the outstanding share premium fund. This issuance was made based on the shareholders’ resolution No. 1808/10/NQCD-HAGL dated 18 August 2010 (the written opinions collected from the shareholders). Accordingly, the Company has recorded the additional share capital of VND’000 1,557,598,930 and the decrease in share premium and undistributed earnings of VND’000 623,039,572 and VND’000 934,559,358, respectively.
- On 28 January 2011, the Company received the amended Business Registration Certificate (eighteenth amendment) issued by the Planning and Investment Department of Gia Lai Province which approved the increase in the Company’s share capital to VND’000 4,672,805,900.
- b) Effective from 1 January 2011, the Group’s management has decided to change its revenue recognition policy for pre-completion sales of apartments in recognition of the International Financial Reporting Standards principles relevant to this matter. Accordingly, revenue and associated costs from pre-completion sales of apartments will be recognised when all of the following criteria are effectively met:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
  - the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
  - the amount of revenue can be measured reliably;
  - it is probable that the economic benefits associated with the transaction will flow to the entity; and
  - the costs incurred or to be incurred in respect of the transaction can be measured reliably.

This is considered as a change in accounting policy by the Ministry of Finance in its Official Letter dated 18 February 2011 and will be applied retrospectively in accordance with VAS 29 - *Changes in Accounting Policies*, Accounting Estimates and Errors.

- c) On 7 January 2011, 10 February 2011 and 14 March 2011, Phu Hoang Anh Joint Stock Company, the subsidiary, issued three straight bonds with the same amount of VND 100 billion each at par value of VND 1 billion per unit to Vietnam Prosperity Joint Stock Commercial Bank (“VPBank”) which will be redeemable at par value by 7 January 2014, 10 February 2014 and 14 March 2014 respectively. The bonds issued on 7 January 2011, 10 February 2011 and 14 March 2011 bear interest rate of 21.00%%, 21.00% and 22.00% per annum, respectively, in the first interest payment period and will be monthly subsequently adjusted to a 12-month saving deposit interest rate (payable at maturity) of VPBank plus (+) a margin of 5.00%%, 5.00% and 7.00% per annum, respectively. The proceeds will be used to finance Phu Hoang Anh apartment project. The bonds are secured by 30,567.4 square meters of land use rights on lot 402 and 404, Nguyen Huu Tho Street, Phuoc Kien Ward, Nha Be District, Ho Chi Minh City, all assets attached to the land and benefits and income arising from the land use rights and the assets attached to land. This is part of total bonds amounting to VND 350 billion to be issued to VPBank.



Mrs Ho Thi Kim Chi  
Chief Accountant  
21 March 2011



Mr Nguyen Van Su  
General Director



Organisation and Personnel



HOANG ANH GIA LAI ENSURES THAT ALL EMPLOYEES RECEIVE ADEQUATE SUPPORT AND TRAINING TO GAIN SKILLS THAT ENABLE THEM TO OPTIMISE THEIR PERFORMANCE.

Organisation

Hoang Anh Gia Lai operates using a parent-subsidary model. The organisational structure of the Group includes:

- The parent company and its 6 branches and 1 representative office in Ho Chi Minh City.
- 49 subsidiaries, which the Group either owns or controls more than 50% of the voting rights.
- 3 associate companies, which the Group owns 20% to 50% of the voting rights.

Number of employees and personnel policy

Number of employees

Year	2006	2007	2008	2009	2010
Number of employees	5,900	7,098	7,291	8,745	9,638

Working conditions

- The employees of the Group work 5.5 to 6 days per week at 8 hours a day. The working time can be adjusted based on deliverables but should still remain within the standard working hours in accordance with Group policies. Overtime may be required from time to time to meet deadlines.
- Employees are entitled to 1 to 1.5 days off per week. Employees who've worked for 12 months or more are entitled to 12, 14 or 16 days of annual leave per year. If an employee has worked less than 12 months, the annual leave entitlement will be pro-rated according to the number of working months. The Group will increase the annual leave entitlement based on the number of years of service, e.g. 1 additional day of annual leave for every 5 years of service. In addition, the employees are subject to 8 public holidays per year. If these public holidays fall on the same day as other holidays, the employees will be entitled to in lieu leaves in the immediate following working day.

Recruitment and training policies

- The recruitment of new employees is in accordance with the recruitment policy in order to ensure that new employees possess adequate qualifications, skills, experience for their positions and good work ethics and have long-term commitment. In the long-run, the Group prefers to employ local personnel due to more apt qualifications and higher adherence. The Group has a preferential policy for local employees with good qualifications and work ethics, who has worked in big cities and would like to work for the Group in Pleiku City.
- The Group ensures that all employees receive adequate support and training to gain skills that enable them to optimise their performance. Training of skills and other necessary techniques are conducted both internally and externally, in accordance with the Group's training plan prepared at the beginning of every year.
- In order to implement effective training programs, the Group and its employees sign agreements to reinforce their commitments to duties and benefits during the training period, and number of years of service due after the training.
- Ensuring workplace health and safety is the most important policy of the Group. HAGL Group focuses on workers safety training before they commence their employment, and provide adequate labour safety equipment such as shirts, hats, shoes, glasses, depending on their working environment.
- The Group issues policies on labour safety and environmental sanitation, and conducts frequent work safety inspection at construction sites. The Group established the Labour Safety Committee to implement the Labour Safety System.



Employees of HAGL Land real estate trading floor



HAGL football players (in blue shirt)



# Shareholder Information and Corporate Governance



The Board of Management, the Board of Supervisors and the Board of Directors, conducted frequent meetings in order to issue timely and appropriate policies to enable the Group to perform efficiently and deliver all commitments.

The Board of Management has 7 members, including 2 independent non-executive members. The Board of Supervisors has 3 members.

### Changes in members of the Board of Management

During the year, there was no change in members of the Board of Management.

### Function of the Board of Management

During the year, the Board of Management held 4 official meetings to: discuss and decide the development direction of the Group, revise its business plan for 2010, issue bonus shares to the shareholders, issue convertible bonds, restructure the Group’s subsidiaries, discuss the business and investment plans for 2011, strategy and performance in the sale of apartments, among others. In addition, the Board of Management also organised other meetings via teleconference to discuss and resolve other matters.

### Function of Independent Non-executive members

The non-executive members participated in all meetings of the Board of Management and monitored the management function of the Board of Directors.

### Function of the Board of Management’s Sub-committees

Currently the operational departments of the Group are responsible for providing information and reports in accordance with the requirements of the Board of Management. The secretary of the Board of Management is the contact point between the operational departments and the Board of Management.

### Function of the Board of Supervisors

The Board of Supervisors has evaluated the implementation of the 2010 business plan by the Board of Management and the Board of Directors. The Board of Supervisors and the Internal Audit Department reviewed and evaluated the key processes of the Company, conducted site visits at the factories and branches in order to identify inherent risks or misstatements, and provided appropriate recommendations to the management. The Board of Supervisors also conducted periodical reviews of the financial statements to assess the integrity of the financial information. The Board of Supervisors coordinated closely with the external auditors, Ernst & Young Vietnam Limited, and reviewed the impact of any material misstatements in the financial statements and implemented the recommendations provided by the independent auditors in strengthening the Company’s internal control system.



### Plan for improvement of the efficiency of management operations

The Board of Management, the Board of Supervisors and the Board of Directors conducted frequent meetings in order to issue appropriate policies in a timely manner to facilitate the implementation of the Board of Management resolution and communications with various departments, and internal and external shareholders.

The Board of Supervisors regularly reports to the Board of Management and the Board of Directors on the financial policies compliance status as well as the Group’s charter and regulations.

### Board of Management’s share ownership

No.	Name of shareholders	Number of shares	Ownership	Change
1	Doan Nguyen Duc	219,987,226	47.08%	-7.29%
2	Nguyen Van Su	1,635,372	0.35%	-0.04%
3	Doan Nguyen Thu	4,043,781	0.87%	-0.39%
4	Nguyen Van Minh	2,258,263	0.48%	-0.07%
5	Le Hung	221,751	0.05%	0.00%
Total		228,146,393	48.82%	-7.80%

Source: List of shareholders as of 7 April 2011

The reason of the decrease in the share ownership percentage of the Board of Management members is due to the issuance of new shares for bond conversion and the private placement of new shares to strategic investors.



# Shareholder Information and Corporate Governance

Statistical data about shareholders

Shareholding structure

Shareholding	Number of shares	Ownership (%)
Share capital:	467,280,590	100%
• Founding shareholders	228,601,638	48.92%
• Key shareholders (holding more than 5% of voting rights)	24,324,375	5.21%
• Shareholders with 1-5% of voting rights	106,725,286	22.84%
• Shareholders with less than 1% of voting rights	107,629,291	23.03%
of which:		
• Foreign shareholders	163,889,595	35.07%
• Institutional shareholders	161,185,575	34.49%
• Individual shareholders	2,704,020	0.58%

Source: List of shareholders as of 7 April 2011

Related parties

- **Entities holding more than 50% share capital of HAGL:** None
- **Entities wherein HAGL holds more than 50% share capital:**  
Presented in Note 17.1 – Consolidated financial statements of 2010
- **Investments in subsidiaries and associates:**  
Presented in Notes 17.1 and 17.2 - Consolidated financial statements of 2010

Details of key shareholders

No.	Name	ID /Passport /Business license number	Address	Number of shares	Percentage
1	Doan Nguyen Duc	230046495	147 Tran Phu, Pleiku, Gia lai	219,987,226	47.08%
2	Deutsche Bank Trust Company Americas	CA3356	60 Wall Street, New York, NY10005 United States of America	24,324,375	5.21%

Source: List of shareholders as of 7 April 2011



## INSTITUTIONAL SHAREHOLDERS AND STRATEGIC PARTNERS



# Risk Management



Kinh Te Commercial centre and Office project, District 7

Hoang Anh Gia Lai operates in multiple sectors and industries in different territories. This presents potential risks associated with each industry, territory and economic cycle. The Group has identified the primary risks and implemented the following risk management actions:

## Financial risks

### Nature:

With a diverse portfolio of projects across the real estate, mining, rubber and hydro - electricity sectors, the Group requires significant capital for investment and development. At some point, should a disparity between cash in flows and cash out flows arise, it will pose a risk to the business operations. Insufficient capital may halt investments and the purchase of raw materials. The Group's operations and business reputation could be tarnished if salary or debt obligations are not met as scheduled.

### Mitigation measures:

The Group always manages cash flow rigorously and has built a capital structure well balanced between long and short-term investments. The Group has funded those projects with long payback periods through long-term bank loans, bond and share issues.

Furthermore, the Group is able to cover operating expenses and short-term debt liabilities with cash from the apartments that have been sold. Noteworthy, the real estate business is unique in the sense that pre-sale contracts are made when the apartments are still under construction. The progressive collections help the Group finance its operations.

## Exchange rate risks

### Nature:

The exchange rates between Vietnam Dong and foreign currencies (especially the US Dollar) have moved erratically in recent years, seriously impacting the operations of many import-export businesses. The Group's manufacturing operations involve foreign currency payments to overseas partners, especially the importation of equipment and machinery, raw materials, construction materials, etc. The exchange rate fluctuations will have impact on the Group's financial income and expense.



### Mitigation measures:

The Group's business operations include both imports and exports. Exchange rate movements will be offset against each other to reduce the impact on profits and cash flow. Moreover, export revenues will provide the Group with foreign currencies for imports.

The Group has carefully planned the timing of imports and exports with foreign partners and scheduled payments appropriately to minimize exchange rate risks.

## Interest rate risks

### Nature:

The Group's operations require large investment outlays, especially for construction of apartment projects, rubber plantations, construction of hydro - electricity plants, etc. A large proportion of this capital is raised from banks and variable-coupon corporate bond issues. In the event of hikes in interest rates, the increased borrowing costs may cause problems for the Group's business.



Furthermore, the real estate market is very sensitive to interest rate movements, with customers reluctant to borrow at high rates. Apartment value is usually large, so many people are unable to purchase an apartment with only their own cash, so they must seek assistance from banks.

### Mitigation measures:

The Group has proactively built a capital structure appropriate for each economic cycle and business operation. Through close relationships with the large commercial banks, the Group can arrange for credit facilities at reasonable cost of fund.

Aside from raising capital from loans and straight bonds, the Group also raised capital from issuing shares and convertible bonds with low coupon rates, to domestic and overseas investors, and access the cash from down payments of apartment buyers. The capital cost of these funds is generally low, predetermined and largely unaffected by interest rate movements.



# Risk Management



Phu Hoang Anh Project Phase 2



Thanh Binh Apartment project

### Market risks

**Nature:**

The real estate market is strongly sensitive to the financial market and macro-economic conditions. Therefore adverse economic fluctuations could lead to decreased liquidity in the real estate market and negatively impact project sale prices. In addition, fluctuations in the market prices of raw material inputs also have a significant impact on the profitability of each project. This would in turn delay the Group's investment payback, and reduce expected revenue and profit from real estate projects.

**Mitigation measures:**

Prior to sanctioning real estate investments, the Group conducts rigorous market research, investing only in highly profitable projects which serve the real demand of customers. Enjoying the advantage of sourcing raw materials from member companies within the Group, Hoang Anh Gia Lai has built a vertically-integrated construction process to best manage input costs. During market downturns, the Group can lower apartment prices to competitive levels while ensuring business plan objectives are still met. The Group's project portfolio spans across many provinces nationwide, thereby limiting risk impacts from any one particular market.

### Project implementation risks

**Nature:**

Real estate projects usually have long project implementation schedule ranging from 3 to 5 years, including site clearance, legal procedures, design and construction. Problems arising during any of the phases can significantly affect the overall implementation progress, slowing capital turnover rates and negatively impacting the business plan.

**Mitigation measures:**

With extensive project management experience and excellent relationships with the relevant authorities, the Group has good control over the implementation of its real estate projects. Moreover, with many projects being undertaken simultaneously, the Group's business plans and capital turnover are not dependent on any single project. Almost all real estate projects in the upcoming 5-year business plan have completed site clearance and are ready to start construction.

### Legal risks

**Nature:**

As a listed company, the Group's operations are primarily governed by the Enterprise Law and various statutes on shares, the stock market, etc. The laws and related guidance documents still need improvement. Legal and policy changes which may occur would have certain impact on management activities and operations of the Group.

At the same time, the real estate business is governed by the Land Law, Construction Law, Real Estate Law, etc. Changes to these laws may impact real estate market liquidity, duration of administrative procedures and the means of capital raising.

**Mitigation measures:**

The Group has set up a legal department comprising qualified and experienced lawyers. This department provides regular, timely updates and advice to the Board of Management and the Board of Directors on legal changes and their impact, if any, on the Group's business operations. In addition, the legal department is responsible for reviewing the Group's business contracts during day-to-day operations to control legal risks.

When necessary, the Group can draw on professional domestic and international legal consultants to support the implementation of legally complex transactions.

### Other non-systematic risks

**Nature:**

Each industry has one or more non-systematic risks. For example, the real estate industry has fire or accident risks; furniture manufacturing is very sensitive to fire risks; the rubber sector is at risk from natural disasters; hydro - electricity has drought risks, etc. Like it or not, these risks are ever present and capable of impacting the Group's business operations.

**Mitigation measures:**

The Group evaluates the risk probability for each sector, and the potential losses should a risk eventuate. We also identify available insurance options and associated premiums. On that basis, a decision is made to self-insure or take out appropriate insurance for each risk type.



## CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES



Relief for people affected by flooding disaster in the Central Area

**Hoang Anh  
Gia Lai upholds  
responsibilities  
with the  
community**



Gratitude House transfer ceremony



Diagnosed and treat diseases of poor people in Laos

- In 2010, the Group constructed 2,000 homes in Attapeu Province (Laos), Chu Prong District (Gia Lai Province) and EaHleo District (Dak Lak Province) at a total cost of approximately VND 100 billion. These homes were utilised as free accommodations for the Group's rubber workers. HAGL Group also built health clinics, schools, electricity systems, roads and bridges to provide local residents with a better living environment. As of late 2010, 500 homes had been completed and handed over to its residents.
- The Group also collected and distributed 150 tonnes of rice worth VND 3 billion for flood victims in the 3 central provinces of Quang Binh, Ha Tinh and Nghe An. HAGL actively supported and helped disseminate information on proper health care and disease prevention measures following the floods.
- The Group donated VND 500 million to the impoverished residents of the Truong Sa Islands; VND 500 million went to the underprivileged of Binh Dinh; VND 500 million was donated to volunteer funds for Dak Lak; support was given to poor patients in Gia Lai; as well as the Kon Tum Province scholarship fund among others...
- VND 2 billion was given to support the organisation of cultural festivals in Kong Chien, Gia Lai; while VND 2 billion was handed over to support the inauguration of Pleiku – Hanoi flights.
- Supported charitable activities in HCMC such as: VND 1 billion each for the underprivileged in HCMC and the poor living in District 8; etc. Constructed "gratitude homes" for the destitute and disadvantaged in Tien Giang Province.
- Medical care, medicines and gifts were provided to 1,000 needy individuals living along the Truong Son Dong area through the "Return to Legendary Truong Son" medical charity program.
- Through a VND 1.6 billion funding package, HAGL and volunteer doctors and nurses from hospitals in HCMC provided free medical checkups, distributed medicines and gifts, provided life-skills training, agricultural technology, safe water usage, etc. to poor people in Laos and Cambodia.



2010 KEY EVENTS



Ceremony to celebrate GDR listing event of Hoang Anh Gia Lai

On 6 April, 2011, London Stock Exchange (“LSE”) held a ceremony and gave campaign medal to celebrate Global Depositary Receipt (“GDR”) listing of Hoang Anh Gia Lai Group. This is a very important event not just for HAGL but also for companies and Vietnamese stock market.

Although not immuned to the effects of post global economic crisis and the fluctuating financial market in 2010, it was a very significant year for Hoang Anh Gia Lai with the implementation of flexible and highly effective strategic business plans.

- Road shows to introduce HAGL Group and the restructuring program were held in Hanoi and HCMC, drawing 1,400 domestic and international investors. This marks a new stage in the Group’s development, with its competencies in 5 key industries: Rubber, Mining, Real estate, Hydro - electricity and Furniture & Granite.
- Convertible bonds issued to the Singaporean investment fund, Temasek Holdings - a high potential growth fund; the successful listing of GDR on the London Stock Exchange (United Kingdom). HAGL Group is going global and creating new sustainable value. (Figure 1)
- Inauguration and commissioning of the Daksrong 2 (Gia Lai) hydro - electricity plant with capacity of 24 MW. The Daksrong 2 plant is the first of a total of 17 hydro - electricity plants HAGL will add to the national grid. (Figure 2)
- The inauguration and completion of Hoang Anh Riverview apartments contributed significantly to Group revenues, despite the real estate market slump in 2010. (Figure 3)





# 2010 KEY EVENTS



- Signing of a strategic cooperation agreement between Hoang Anh Gia Lai and Vietnam Prosperity Bank (“VPBank”). VPBank is the exclusive sponsor of the Hoang Anh Gia Lai Football Club for the 2011 season. As part of the agreement, the Bank will provide bank mortgage to customers purchasing HAGL apartments, with flexible repayment terms, without requirements for proof of income, and interest rate reduction by 4%. (Figure 4)
- Ground breaking ceremony for a 200-bed hospital; Xesou bridge opened to traffic; handover of Hat Xan resettlement village; construction of a USD 30 million administrative centre in Phouvong District, Attapeu Province, Laos. (Figure 5, 6, 7)
- Signing of a cooperation agreement to establish the 14,000m², 200-bed HCMC Medical University – Hoang Anh Gia Lai Hospital set on 5ha area. Total estimated investment cost is VND 200 billion, operation is expected to start in Quarter III /2011. (Figure 8)

