



FPT Information System Company Limited

Financial Statements for the year ended
31 December 2007



FPT Information System Company Limited

Financial Statements for the year ended
31 December 2007



**FPT Information System Company Limited
Corporate Information**

Business Registration No 0104000187 13 April 2005

The Business Registration was issued by Hanoi Planning and Investment Department

Board of Directors	Do Cao Bao	General Director
	Duong Dung Trieu	Deputy General Director
	Nguyen Ngoc Minh	Deputy General Director (resigned on 18 Apr 2008)
	Doan Thanh Vinh	Deputy General Director (resigned on 18 Apr 2008)
	Nguyen Minh Son	Deputy General Director (resigned on 1 Mar 2008)
	Nguyen Hung Cuong	Deputy General Director (resigned on 1 Apr 2008)

Registered Office 101 Lang Ha Street
Dong Da District
Hanoi, Vietnam

Auditors KPMG Limited
Vietnam



KPMG Limited
16th Floor, Pacific Place
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REPORT OF THE INDEPENDENT AUDITORS

To the Investor

FPT Information System Company Limited (“the Company”)

Scope

We have audited the accompanying balance sheet of FPT Information System Company Limited as of 31 December 2007, the related statement of income, cash flows and changes in equity for the year ended 31 December 2007, as set out on pages 4 to 23. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company for the year ended 31 December 2006 were audited by another firm of auditors whose report dated 29 March 2007 expressed an unqualified opinion on the financial statements.

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

Basis of qualifications

We were not engaged as auditors until after 31 December 2006, and therefore we were not present to observe the physical inventory taken at that date. In addition, certain disclosures in relation to the corresponding figures were not readily available for the purpose of the presentation of the notes to the financial statements. We therefore were unable to satisfy ourselves by means of other audit procedures regarding the inventory quantities as of 31 December 2006 and the impacts on the net income and cash flows for the year ended 31 December 2007, if any, and the classification of certain corresponding figures included in the notes to the financial statements.

Further, in the previous year, the Company had recognised revenues and cost of sales upon issuance and receipt of invoices rather than based on the stage of completion of the services. Had these revenues been recognised by reference to the stage of completion, profit after tax for the year ended 31 December 2006 and retained earnings as of 31 December 2006 would have decreased by approximately VND16 billion, and excess of work-in-progress over progress billing and a profit after tax for the year ended 31 December 2007 would have increased by approximately VND16 billion.

The current accounting/management systems of the Company do not allow them to accurately capture all the necessary information about actual contract costs incurred and budgeted contract costs to adopt a revenue recognition method based on percentage of completion for 16 contracts relating to customisation and installation of hardware and software with the value of VND196 billion. Hence, revenue of VND29 billion relating to such contracts was recognised in financial year ended 31 December 2007 when invoices were issued. There were no satisfactory audit procedures that we could perform to satisfy ourselves as to the completeness, existence and accuracy of financial statement balances relating to such contracts.

The Company's management has not adopted an appropriate methodology for reviewing the adequacy of provision for warranties. Instead, the Company's practice is to accrue for such provision based on a fixed rate of 0.7% of total sales value. We were unable to satisfy ourselves by means of other audit procedures regarding the adequacy of provision for warranties as of 31 December 2007 and the impacts on the net income and cash flows for the year then ended.

Qualified audit opinion

In our opinion, except for the effects on the financial statements of such adjustments, if any, as might be necessary in respect of the matters described in the preceding qualification paragraphs, the financial statements present fairly, in all material respects, the financial positions of FPT Information System Company Limited as of 31 December 2007 and the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.



KPMG Limited
KPMG Limited
Vietnam

Investment Licence No: 863/GP
Audit Report No: 07-02-055-02

John T. Ditty
CPA No. N.0555/KTV
General Director

Tran Hang Thu
CPA No. N.0877/KTV

Hanoi, 25 APR 2008

FPT Information System Company Limited
Balance sheet at 31 December 2007

	Code	Note	2007 VND	2006 VND
ASSETS				
Current assets	100		938,489,508,717	885,751,878,882
Cash and cash equivalent	110	4	40,652,782,955	70,404,982,602
Cash	111		40,652,782,955	70,404,982,602
Accounts receivable	130	5	653,348,444,498	710,201,645,535
Accounts receivable – trade	131		589,990,225,366	706,418,405,369
Prepayments to suppliers	132		7,602,578,072	3,048,921,597
Inter-company receivables	133		2,310,412,930	-
Excess of contract work-in-progress over progress billings	134		51,630,006,568	-
Other receivables	135		5,285,384,450	734,318,569
Allowance for doubtful debts	139		(3,470,162,888)	-
Inventories	140	6	232,563,567,762	94,719,451,733
Inventories	141		233,242,182,322	94,719,451,733
Allowance for inventories	149		(678,614,560)	-
Other current assets	150		11,924,713,502	10,425,799,012
Short-term prepayments	151		11,735,153,502	8,783,217,824
Deductible value added tax	152		14,560,000	-
Other current assets	158		175,000,000	1,642,581,188
Long-term assets	200		24,888,800,334	15,491,105,876
Fixed assets	220		21,726,779,592	11,376,032,150
Tangible fixed assets	221	7	20,671,075,539	11,376,032,150
Cost	222		54,886,842,586	27,287,769,982
Accumulated depreciation	223		(34,215,767,047)	(15,911,737,832)
Intangible fixed assets	227	8	137,340,685	-
Cost	228		302,389,806	-
Accumulated amortisation	229		(165,049,121)	-
Construction in progress	230	9	918,363,368	-
Other long-term assets	260		3,162,020,742	4,115,073,726
Long-term prepayments	261		3,162,020,742	4,115,073,726
TOTAL ASSETS	270		963,378,309,051	901,242,984,758

The notes set out on pages 10 to 23 form an integral part of these financial statements

FPT Information System Company Limited
Balance sheet at 31 December 2007 (continued)

	Code	Note	2007 VND	2006 VND
RESOURCES				
LIABILITIES	300		708,438,447,139	751,303,122,846
Current liabilities	310		708,423,050,409	751,303,122,846
Accounts payable – trade	312		56,581,488,380	69,351,260,012
Advances from customers	313		103,300,872,662	45,886,459,380
Taxes payable to State Treasury	314	10	9,141,437,515	8,573,295,005
Payables to employees	315		33,185,952,000	10,917,106,000
Accrued expenses	316		37,315,800,295	413,134,270
Inter-company payables	317	11	453,956,271,343	612,156,333,165
Excess of progress billings over contract work-in-progress	318		10,432,220,698	-
Other payables	319		2,820,096,089	770,880,274
Provision for warranties	320		1,688,911,427	3,234,654,740
Long-term liabilities	330		15,396,730	-
Provision for severance allowance	336		15,396,730	-
EQUITY	400		254,939,861,912	149,939,861,912
Equity	410		254,939,861,912	149,939,861,912
Charter capital	411	12	250,000,000,000	145,000,000,000
Financial reserves	418		2,189,861,912	2,189,861,912
Retained profit	420		-	-
Fund for non-business expenditure received from the State	432		2,750,000,000	2,750,000,000
TOTAL RESOURCES	440		963,378,309,051	901,242,984,758

OFF-BALANCE SHEET ITEM

Inventory held for third parties	111,618,341,000	94,206,388,420
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Prepared by:



Do Son Giang
Chief Accountant

Approved by:



Do Cao Bao
General Director

25 APR 2008

The notes set out on pages 10 to 23 form an integral part of these financial statements

FPT Information System Company Limited
Statement of income for the year ended 31 December 2007

	Code	Note	2007 VND	2006 VND
Total revenue	01	13	1,891,848,530,721	1,837,527,133,096
Less sales deductions	02		(2,461,295,812)	-
Net sales	10		1,889,387,234,909	1,837,527,133,096
Cost of sales	11	14	(1,506,153,644,119)	(1,565,185,659,200)
Gross profit	20		383,233,590,790	272,341,473,896
Financial income	21	15	3,123,214,407	2,329,497,996
Financial expenses	22	16	(23,817,447,421)	(36,577,551,470)
Selling expenses	24		(76,220,506,284)	(72,583,847,015)
General and admin expenses	25		(119,840,319,622)	(46,480,822,149)
Net operating profit	30		166,478,531,870	119,028,751,258
Results of other activities	40		14,269,240,201	6,563,058,821
Other income	31	17	15,622,469,597	6,699,554,659
Other expenses	32	18	(1,353,229,396)	(136,495,838)
Profit before tax	50		180,747,772,071	125,591,810,079
Corporate income tax - current	51	19	(22,047,529,374)	(17,493,503,576)
Corporate income tax - deferred	52	19	-	-
Net profit after tax	60		158,700,242,697	108,098,306,503

Prepared by:



Do Son Giang
Chief Accountant

Approved by:



Do Cao Bao
General Director

25 APR 2008

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FPT Information System Company Limited
Statement of changes in equity for the year ended 31 December 2007

	Charter capital VND	Financial reserve VND	Fund for non-business expenditure received from the State VND	Retained profit VND	Total VND
Balance at 1 January 2006	145,000,000,000	2,189,861,912	2,750,000,000	-	149,939,861,912
Net profit for the year	-	-	-	108,098,306,503	108,098,306,503
Profit transferred to owner	-	-	-	(108,098,306,503)	(108,098,306,503)
Balance at 1 January 2007	145,000,000,000	2,189,861,912	2,750,000,000	-	149,939,861,912
Combination of FSS capital (see Note 3)	22,000,000,000	-	-	-	22,000,000,000
Contributed capital	83,000,000,000	-	-	-	83,000,000,000
Net profit for the year	-	-	-	158,700,242,697	158,700,242,697
Profit transferred to owner	-	-	-	(158,700,242,697)	(158,700,242,697)
Balance at 31 December 2007	250,000,000,000	2,189,861,912	2,750,000,000	-	254,939,861,912

Prepared by:



Do Son Giang
Chief Accountant

Approved by:



Do Cao Bao
General Director

25 APR 2008

The notes set out on pages 10 to 23 form an integral part of these financial statements

FPT Information System Company Limited
Statement of cash flows for the year ended 31 December 2007

	Code	Note	2007 VND	2006 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		180,747,772,071	125,591,810,079
Adjustments for				
Depreciation and amortisation	02		10,921,720,917	3,924,449,272
Allowances and provisions	03		2,618,430,865	(3,234,654,740)
Profits from disposals of fixed assets	05		(201,274,710)	-
Interest income			(1,110,660,199)	(429,106,891)
Interest expense	06		20,970,345,465	36,151,726,443
Operating profit before changes in working capital	08		213,946,334,409	162,004,224,163
Increase in receivables and other current assets	09		123,679,401,368	(46,678,771,832)
Increase in inventories	10		(138,135,992,092)	(19,782,747,498)
Increase in payables and other liabilities	11		(130,518,639,407)	126,916,077,796
Increase in prepayments	12		(343,827,963)	(11,690,491,065)
			68,627,276,315	210,768,291,564
Interest paid	13		(20,970,345,465)	(36,151,726,443)
Net cash generated from operating activities	20		47,656,930,850	174,616,565,121
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for addition to fixed assets and construction in progress	21		(14,379,433,942)	(7,876,887,239)
Proceeds from disposal of fixed assets	22		488,515,670	-
Net cash acquired through business combinations			11,071,370,273	-
Interest received	27		1,110,660,199	429,106,891
Net cash used in investing activities	30		(1,708,887,800)	(7,447,780,348)

The notes set out on pages 10 to 23 form an integral part of these financial statements

FPT Information System Company Limited
Statements of cash flows for the year ended 31 December 2007 (continued)

	Code	Note	2007 VND	2006 VND
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from capital contribution	31		83,000,000,000	-
Profit transferred to owner	36		(158,700,242,697)	(108,098,306,503)
Net cash used in financing activities	40		(75,700,242,697)	(108,098,306,503)
Net cash flows during the year	50		(29,752,199,647)	59,070,478,270
Cash and cash equivalents at the beginning of the year	60		70,404,982,602	11,334,504,332
Cash and cash equivalents at the end of the year	70	4	40,652,782,955	70,404,982,602

SIGNIFICANT NON-CASH TRANSACTIONS

The following significant non-cash transactions occurred on 1 January 2007 through business combinations as described in Note 1 and 3 to the financial statements:

	2007 VND
Net assets acquired	
Fixed assets	6,441,206,736
Long-term assets	263,644,621
Inventories	386,738,497
Accounts receivable and other current assets	81,306,122,414
Current liabilities	(66,397,712,268)
	22,000,000,000

Prepared by:



Do Son Giang
Chief Accountant

Approved by:



Do Cao Bao
General Director

25 APR 2008

The notes set out on pages 10 to 23 form an integral part of these financial statements

FPT Information System Company Limited
Notes to the financial statements for the year ended 31 December 2007

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

1. Principal activities

The principal activities of FPT Information System Company Limited ("the Company") which is incorporated as a limited liability company in Vietnam, are to provide information technology ("IT") related services, software development and customisation, sale of software and hardware related IT products and provision of maintenance services, under Business Registration No. 0104000187 issued by Hanoi Planning and Investment Department on 13 April 2005.

On 1 January 2007, in accordance with Decision No. 548/6-2006 FPT/QD-HDQT as approved by the Board of Management of The Corporation for Financing and Promoting Technology ("FPT Corporation"), FPT Software Solution Company Limited ("FSS"), a subsidiary wholly owned by FPT Corporation and Enterprise Resource Planning Centre ("ERPC"), a department of FPT Corporation, were combined into the Company. Accordingly, the Company's Business Registration was amended on 24 September 2007. Notwithstanding the fact that the registration of business combinations was only completed on 24 September 2007, nevertheless controls over FSS and ERPC were transferred to the Company on 1 January 2007.

The total charter capital amount of the Company as stipulated in its Business Registration was VND250,000,000,000.

As at 31 December 2007, the Company had 1,919 employees (2006: 634 employees).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of these financial statements.

(a) Basis of financial statement preparation

(i) General basis of accounting

The financial statements, expressed in Vietnam Dong ("VND"), have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

The financial statements are prepared on the historical cost basis.

(ii) Accounting for business combinations between entities under common control

The combination transactions with entities under common control are accounted for using the historical carrying amount of the acquired assets and the assumed liabilities. The difference between the consideration paid and the related historical carrying amount is recognised directly in other capital account and recorded as difference in value of acquisition transactions between entities under common control. It is the Company's policy that the comparative figures are not restated as if the combination had been in existence throughout the reporting periods presented.

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

(b) Fiscal year

The fiscal year of the Company is from 1 January to 31 December.

(c) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates.

All realised and unrealised foreign exchange differences are recorded in the statement of income.

(d) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

(g) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ office equipment	3 - 5 years
▪ motor vehicles	4 - 6 years
▪ others	3 - 5 years

(h) Intangible fixed assets

Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over three to five years.

(i) Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

(k) Contract work-in-progress

Contract work-in-progress is stated at cost plus attributable profits earned to date less provision for foreseeable losses. Cost represents directly attributable and chargeable costs in accordance with the underlying contract.

(l) Long-term prepayments

(i) Prepaid rentals

Prepaid rentals are recognised in the statement of income on a straight-line basis over the term of the leases.

(ii) Tools

Tools are initially stated at cost and are expensed over a three year period.

(m) Trade and other payables

Trade and other payables are stated at their cost.

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

(i) Provision for warranties

Provision for warranties are made in relation to goods sold and services rendered during past three years. The provision amount is estimated based on historical data associated with similar products and services.

(ii) Provision for severance allowance

Severance allowance is made equal 1% of total salary fund which is used as a base of Social Insurance calculation, which is in accordance with Circular 82/2003/TT-BTC dated 14 August 2003.

(o) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Revenue

(i) Goods sold

Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(ii) Services rendered

Revenue from services rendered is recognised in the statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

(r) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

(s) Related companies

Related companies include the investor and its subsidiaries and associates.

(t) Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

3. Significant transactions

The Company, FSS and ERPC are considered to be under common control as FSS was a wholly owned subsidiary and ERPC was a dependent department of FPT Corporation respectively. Accordingly, assets and liabilities of FSS and ERPC ("the acquirees") were assumed by the Company upon the combination of FSS and ERPC into the Company on 1 January 2007. There was no cash consideration involved with these combinations and the charter capital of the Company was increased by an amount equivalent of the charter capital of FSS after the date of acquisition (see Note 12).

The net assets of the acquirees as at 1 January 2007 were as follows:

	VND
Total assets	88,397,712,268
Total liabilities	(66,397,712,268)
Net assets	<u>22,000,000,000</u>

4. Cash and cash equivalents

	2007 VND	2006 VND
Cash on hand	556,069,118	1,546,587,377
Cash in bank	40,096,713,837	68,858,395,225
Cash and cash equivalents	<u>40,652,782,955</u>	<u>70,404,982,602</u>

Cash and cash equivalents at 31 December 2007 included amounts denominated in currencies other than VND amounting to VND 2,292 million (2006: VND 71 million).

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

5. Accounts receivable

Inter-company receivables comprised:

	2007 VND	2006 VND
Amounts due from related companies - trade	2,310,412,930	-

Other receivables comprised:

	2007 VND	2006 VND
Advances	640,798,200	224,719,000
Short-term deposits	3,524,204,605	-
Others	1,120,381,645	509,599,569
	<u>5,285,384,450</u>	<u>734,318,569</u>

Movements in the allowance for doubtful debts during the year were as follows:

	2007 VND	2006 VND
Opening balance	-	726,909,270
Increase in allowance during the year	3,470,162,888	-
Decrease in allowance during the year	-	(726,909,270)
Allowance for doubtful debts	<u>3,470,162,888</u>	<u>-</u>

6. Inventories

	2007 VND	2006 VND
Goods in transit	595,856,166	-
Tools and supplies	34,762,184	-
Work in progress	3,852,501,132	-
Merchandise inventory	228,759,062,840	94,719,451,733
	<u>233,242,182,322</u>	<u>94,719,451,733</u>
Allowance for inventories	(678,614,560)	-
	<u>232,563,567,762</u>	<u>94,719,451,733</u>

Included in merchandise inventory at 31 December 2007 was VND1,710 million (2006: Nil) of inventories carried at net realisable value.

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7. Tangible fixed assets

	Office equipment VND	Motor vehicles VND	Others VND	Total VND
Cost				
Opening balance	25,058,326,647	2,184,485,209	44,958,126	27,287,769,982
Additions from business combinations	14,658,604,335	915,006,352	60,253,873	15,633,864,560
Additions from purchases	10,448,773,164	355,517,661	2,636,075,003	13,440,365,828
Transfers from related companies	1,527,235,785	-	-	1,527,235,785
Disposals	(2,986,816,003)	-	(15,577,566)	(3,002,393,569)
Closing balance	48,706,123,928	3,455,009,222	2,725,709,436	54,886,842,586
Accumulated depreciation				
Opening balance	15,319,990,685	560,265,508	31,481,639	15,911,737,832
Additions from business combinations	8,803,164,070	512,612,663	53,177,159	9,368,953,892
Transfers from related companies	788,167,144	-	-	788,167,144
Charged for the year	9,742,086,592	548,312,770	571,661,426	10,862,060,788
Disposals	(2,714,287,189)	-	(865,420)	(2,715,152,609)
Closing balance	31,939,121,302	1,621,190,941	655,454,804	34,215,767,047
Net book value				
Closing balance	16,767,002,626	1,833,818,281	2,070,254,632	20,671,075,539
Opening balance	9,738,335,962	1,624,219,701	13,476,487	11,376,032,150

Included in the cost of tangible fixed assets were assets costing VND17,811 million which were fully depreciated as of 31 December 2007 (2006: VND7,383 million), but which are still in active use.

8. Intangible fixed assets

	Software VND
Cost	
Opening balance	-
Additions from business combinations	281,685,060
Additions from purchases	20,704,746
	<hr/>
Closing balance	302,389,806
Accumulated amortisation	
Opening balance	-
Additions from business combinations	105,388,992
Charge for the year	59,660,129
	<hr/>
Closing balance	165,049,121
Net book value	
Closing balance	137,340,685
Opening balance	-
	<hr/>

9. Construction in progress

	2007 VND
Opening balance	-
Additions	918,363,368
	<hr/>
Closing balance	918,363,368
	<hr/>

10. Taxes payable to State Treasury

	2007 VND	2006 VND
Value added tax	6,108,966,946	7,778,996,455
Import tax	13,867,000	-
Personal income tax	3,015,603,569	794,298,550
Other taxes	3,000,000	-
	<hr/>	<hr/>
	9,141,437,515	8,573,295,005
	<hr/>	<hr/>

11. Inter-company payables

Inter-company payables comprised:

	2007 VND	2006 VND
Amounts due to parent company		
- Trade	311,878,929,388	474,833,954,737
- Non-trade	142,073,250,955	137,322,378,428
Amounts due to related companies		
- Trade	4,091,000	-
	453,956,271,343	612,156,333,165

The non-trade amounts due to parent company were unsecured and are repayable on demand.

12. Charter capital

The Company's authorised and contributed charter capital are:

	Authorised		Contributed	
	VND	%	VND	%
FPT Corporation	250,000,000,000	100%	250,000,000,000	100%

Movements in contributed charter capital during the year were as follows:

	2007 VND	2006 VND
Balance at beginning of the year	145,000,000,000	145,000,000,000
Combination of FSS charter capital (see Note 3)	22,000,000,000	-
Contribution by FPT Corporation	83,000,000,000	-
	250,000,000,000	145,000,000,000

The parent company, The Corporation for Financing and Promoting Technology ("FPT Corporation"), is incorporated in Vietnam.

FPT Information System Company Limited
Notes to the financial statements for the year ended 31 December 2007 (continued)

13. Total revenue

Total revenue represents the gross invoiced value of goods sold and services rendered exclusive of value added tax.

Net sales comprised:

	2007 VND	2006 VND
Total revenue		
▪ Merchandise goods sold	1,621,933,216,329	1,738,040,584,617
▪ Services	269,915,314,392	99,486,548,479
Less sales deductions		
▪ Sales returns	(2,461,295,812)	-
Net sales	<u>1,889,387,234,909</u>	<u>1,837,527,133,096</u>

14. Cost of sales

	2007 VND	2006 VND
Total cost of sales		
▪ Merchandise goods sold	1,348,886,051,992	1,534,002,599,889
▪ Services	156,588,977,567	31,183,059,311
▪ Allowance for inventories	678,614,560	-
	<u>1,506,153,644,119</u>	<u>1,565,185,659,200</u>

15. Financial income

	2007 VND	2006 VND
Bank interest income	1,110,660,199	429,106,891
Foreign exchange gains	2,012,554,208	1,900,391,105
	<u>3,123,214,407</u>	<u>2,329,497,996</u>

16. Financial expenses

	2007 VND	2006 VND
Interest expense re-charged by FPT Corporation	20,970,345,465	36,151,726,443
Foreign exchange losses	2,847,101,956	425,825,027
	<hr/>	<hr/>
	23,817,447,421	36,577,551,470
	<hr/>	<hr/>

17. Other income

	2007 VND	2006 VND
Proceeds on disposals of fixed assets	488,515,670	-
Bonus and other incentives	14,186,928,730	6,677,207,165
Others	947,025,197	22,347,494
	<hr/>	<hr/>
	15,622,469,597	6,699,554,659
	<hr/>	<hr/>

18. Other expenses

	2007 VND	2006 VND
Net book value of disposed tangible fixed assets	287,240,960	-
Compensation paid for breaches of contracts	489,490,532	126,535,033
Others	576,497,904	9,960,805
	<hr/>	<hr/>
	1,353,229,396	136,495,838
	<hr/>	<hr/>

19. Corporate income tax

(a) Recognised in the statement of income

	2007 VND	2006 VND
Current tax expense		
Current year	22,047,529,374	17,493,503,576
	<hr/>	<hr/>
Corporate income tax ("CIT")	22,047,529,374	17,493,503,576
	<hr/>	<hr/>

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

(b) Reconciliation of effective tax rate

	2007 VND	2006 VND
Profit before tax	180,747,772,071	125,591,810,079
Tax at CIT rate applicable in Business Registration	43,851,269,022	35,165,706,822
Non-deductible expenses	243,789,726	-
Others	-	(178,699,670)
Tax exempt income	(22,047,529,374)	(17,493,503,576)
	<u>22,047,529,374</u>	<u>17,493,503,576</u>

(c) Applicable tax rates

Under the terms of its Business Licence, the Company has an obligation to pay the Government CIT at the rate of 10% of taxable profits on software and 28% of taxable profits on goods sold and services rendered. The Company receives a 50% reduction in CIT for two years following the listing of FPT Corporation, the parent company, on Ho Chi Minh City Stock Exchange in December 2006.

20. Commitments*Leases*

	2007 VND	2006 VND
Within one year	25,189,540,260	19,904,804,808
Within two to five years	30,250,507,018	54,670,706,432
More than five years	-	484,309,116
	<u>55,440,047,278</u>	<u>75,059,820,356</u>

21. Production and business costs by element

	2007 VND	2006 VND
Merchandise costs included in production costs	1,349,564,666,552	1,534,002,599,889
Labour costs and staff costs	156,388,721,433	51,348,113,811
Depreciation and amortisation	10,921,720,917	5,186,647,560
Outside services	240,559,642,801	62,135,446,855
Other expenses	19,310,430,515	394,460,938

FPT Information System Company Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

22. Significant transactions with related parties

During the year, the following significant transactions occurred with related parties:

Related Party	Relationship	Nature of transaction	2007 VND	2006 VND
FPT Corporation	Parent company	Sales of goods and services	211,305,196,202	169,149,710,157
		Rendering of services	34,851,016,337	19,699,197,925
		Goods purchased	1,032,688,185,255	1,205,445,634,512
		Profit transferred	158,700,242,697	108,098,306,503
		Interest re-charged	20,970,345,465	36,151,726,443
FPT Mobile Technology Company	Related party	Sales of goods	59,682,155	276,333,367
		Rendering of services	242,116,681	366,807,900
		Goods purchased	1,363,636	168,854,918
		Services rendered	13,970,001	1,963,318,258
FPT Software Joint Stock Company	Related party	Sales of goods	3,826,545,915	738,678,680
		Rendering of services	2,693,975,739	6,061,208,420
		Goods purchased	2,301,495,216	-
FPT Distribution Co., Ltd	Related party	Sales of goods	3,665,410,737	8,318,083,427
		Rendering of services	57,105,487	752,204,751
		Goods purchased	196,019,529,085	197,412,773,087
		Services rendered	6,984,395,329	4,416,657,713
FPT Telecom Joint Stock Company	Related party	Sales of goods	43,100,697,947	198,718,864
		Rendering of services	844,673,519	16,589,015,444
		Goods purchased	129,451,155	9,000,000
		Services rendered	1,033,002,727	1,150,338,457
FPT University	Related party	Sales of goods	889,928,060	224,817,150
		Rendering of services	16,136,000	-
FPT Retail Company Ltd.	Related party	Sales of goods	18,809,015	-
		Rendering of services	140,822,581	-
FPT Promotion Joint Stock Company	Related party	Rendering of services	33,885,600	-
FPT Land Company Limited	Related party	Rendering of services	112,700,000	-
FPT Media Company Limited	Related party	Sales of goods	61,043,578	-
		Goods purchased	1,944,779,730	-
FPT Service Informatics Company Limited	Related party	Sales of goods	103,558,225	-
		Rendering of services	40,250,000	-
		Goods purchased	654,883,049	-
		Services rendered	4,180,000	-
FPT Hoa Lac	Related party	Sales of goods	9,359,724	-
		Rendering of services	40,658,181	-

23. Corresponding figures

Certain corresponding figures have been reclassified to conform with the current year's presentation as follows:

(a) Balance sheet

	Reclassified in 2007 VND	As previously reported in 2006 VND
Cash	70,404,982,602	68,389,626,589
Cash equivalents	-	2,015,356,013
Accrued expenses	413,134,270	3,647,789,010
Provision for warranties	3,234,654,740	-

(b) Statement of income

Net sales	1,837,527,133,096	1,856,320,420,949
Cost of sales	1,565,185,659,200	1,583,978,947,053

Prepared by:



Do Son Giang
Chief Accountant

Approved by:



Đo Cao Bao
General Director

25 APR 2008

