

PHUONG NAM GROUP

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended 31 December 2010**

PHUONG NAM GROUP

GENERAL DIRECTOR'S REPORT

Phuong Nam Cultural Corporation (hereinafter referred to as The Company) presents this report and the audited consolidated financial statements of The Company and its subsidiaries (hereinafter together with The Company referred to as The Group) for the year ended 31 December 2010.

1. Background

Phuong Nam Cultural Corporation was established in accordance with Business Registration Certificate No. 4103002356 dated 19 November 1999 and other amendment certificates thereafter with the latest one dated 8 December 2007 (the seventeenth).

The Company's head office and factory are located at No 940 3/2 Street, Ward 15, District 11, Ho Chi Minh City.

The charter capital as described in Business Registration Certificate was VND 100,589,060,000.

Up to 31 December 2010, The Company has 4 subsidiaries:

- Phuong Nam Books Company Ltd
- Phuong Nam Stationery Company Ltd
- Phuong Nam Phim Company Ltd
- Phuong Nam Print Company Ltd

The Group's principal activities include the following:

- Trade in Supermarket, consumer goods, books and newspapers, cultural products, video, materials industry picture and printing, children's toys.
- Production of and trade in works of cinema: celluloid films, advertising films, audiovisual products and cinema services.
- Printing books, magazine, cultural products, labels, packing, papers of economic management on all materials.
- Trade in services of culture and information: photography, sounds, musical instrument, painting advertising, art design, typing, and photocopy.
- Import and export of materials, raw materials, machinery and equipment related to the functioning of The Company's production.
- Production of goods serving the needs of learning culture in all materials.
- Services: repairing, maintenance of machinery and tools sold by The Company, keeping customers 'vehicle.
- Organizing fashion shows, professional dancing and music;
- Leasing premises, offices, and workshops.
- Production and sale of audiovisual products: recording, tapes, discs feature films, animation, stage video and other contents using the disk allowed to circulate.
- Protection of copyright service.
- Trade in restaurants (not at headquarters).
- Trade in movie house.
- Commercial advertising services.

2. Members of the Board of Directors and the Management

Members of the Board of Directors during the year 2010 and on the date of this report include:

<i>Full name</i>	<i>Position</i>
Ms. Phan Thi Le	Chairperson
Mr. Nguyen Huu Hoat	Deputy chairperson
Mr. Pham Vinh Duc	Member

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Ms. Tran Thi Mai	Member
Mr. Nguyen Ngoc Bich	Member
Mr. Vo Ngoc Thanh	Member
Mr. Pham Uyen Nguyen	Member

Members of the Management during the year 2010 and on the date of this report include:

<i>Full name</i>	<i>Position</i>
Ms. Phan Thi Le	General Director
Mr. Nguyen Huu Hoat	Deputy General Director
Ms. Phan Mong Thuy	Deputy General Director

3. Financial review

The results of The Group's business operations for the year 2010 are shown on the accompanying consolidated financial statements audited by DTL Auditing Company.

4. General Director's commitment

The General Director is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of The Group and for preparing the financial statements in accordance with the Vietnamese Accounting Standards and System.

The General Director is responsible for safeguarding the assets of The Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As of the date of this report, there are no unusual items that may render any amount stated in the financial statements misleading, and The Group has no any guarantee on assets or any contingent liability incurred without presented in the financial statements and accounting documents of The Group.

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

5. Auditor

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

6. General Director's statement

In General Director's opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of The Group at 31 December 2010, the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting System/Standards.

Ho Chi Minh City, 15 February 2011

GENERAL DIRECTOR

PHAN THI LE

INDEPENDENT AUDITORS' REPORT

**To: Shareholders
Members of the Management
PHUONG NAM GROUP**

We have audited the accompanying consolidated statement of financial position of Phuong Nam Group (hereinafter referred to as "The Company") and its subsidiaries (hereinafter together with The Company referred to as "The Group") at 31 December 2010, and related consolidated income statement and consolidated statements of cash flows and accounting policies and explanatory notes for the year then ended as set out on page 4 page 31. These consolidated financial statements are the responsibility of The Company's management. Our responsibility is to express an opinion on the true and fair view of these financial statements based on our audit.

Basis of opinion

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

However, our opinion was qualified by the following matter:

Expenses from The Group's bonus and welfare funds were VND 1,618,453,898 as at 31 December 2010. As there was no reserve fund to offset against these expenses, the amount of the expenses was presented as a negative amount in the owner' equity of the consolidated statements of financial position.

Opinion

In our opinion, except for the effected of the aforesaid issues, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of The Group at 31 December 2010, and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards/System and relevant legislation.

Ho Chi Minh City, 15 Feb 2011

**PP.GENERAL DIRECTOR
VICE GENERAL DIRECTOR**

AUDITOR

TANG QUOC THANG
CPA No Đ.0075/KTV

LO NGUYEN THUY PHUONG
CPA No 1191/KTV

PHƯƠNG NAM GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

Expressed in Vietnam dong unless otherwise stated

ASSETS	Code	Notes	Ending balance	Beginning balance
A. CURRENT ASSETS	100		258.671.560.372	212.414.555.114
I. Cash and cash equivalent	110		14.805.507.614	12.712.622.388
1. Cash	111		14.805.507.614	12.712.622.388
2. Cash equivalent	112		-	-
II. Short-term investments	120		38.000.000.000	-
1. Short-term investments	121		38.000.000.000	-
2. Provision for the diminution in value of short- term securities	129		-	-
III. Accounts receivable	130		61.784.581.209	57.873.951.873
1. Trade receivables	131		34.106.655.353	34.047.220.108
2. Advances to suppliers	132		14.714.007.130	12.604.195.048
3. Receivables from related parties	133		-	-
4. Construction contractor receivables based on agreed progress billings	134		-	-
5. Other receivables	135		14.507.870.889	11.915.710.055
6. Provision for doubtful debts	139		(1.543.952.163)	(693.173.338)
IV. Inventories	140		135.748.820.824	134.265.194.365
1. Inventories	141		135.800.663.224	134.317.036.765
2. Provision for decline in inventory	149		(51.842.400)	(51.842.400)
V. Other current assets	150		8.332.650.724	7.562.786.488
1. Prepaid expenses	151		3.976.452.672	2.362.925.522
2. VAT deductible	152		401.875.733	984.679.674
3. Tax receivables and other receivable from the State	154		718.064.163	351.233.347
4. Other current assets	158		3.236.258.156	3.863.947.945

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

Expressed in Vietnam dong unless otherwise stated

ASSETS	Code	Notes	Ending balance	Beginning balance
B. NON-CURRENT ASSETS	200		97.759.665.351	98.829.224.534
I. Long-term receivables	210		9.928.000	94.320.000
1. Long-term trade receivables	211		-	-
2. Equity capital allotted to subsidiary	212		-	-
3. Long-term receivables from related parties	213		-	-
4. Other long-term receivables	218		9.928.000	94.320.000
5. Provision for doubtful long-term receivables	219		-	-
II. Fixed assets	220		55.414.125.261	58.680.861.371
1. Tangible fixed assets	221		50.115.940.216	53.327.644.513
- Cost	222		92.239.191.551	88.326.677.187
- Accumulated depreciation	223		(42.123.251.335)	(34.999.032.674)
2. Finance lease assets	224		528.869.125	676.460.519
- Cost	225		887.980.197	887.980.197
- Accumulated depreciation	226		(359.111.072)	(211.519.678)
3. Intangible fixed assets	227		1.529.008.743	1.543.234.376
- Cost	228		2.836.545.013	2.478.296.615
- Accumulated depreciation	229		(1.307.536.270)	(935.062.239)
4. Construction in progress	230		3.240.307.177	3.133.521.963
III. Investment property	240		-	-
- Cost	241		34.364.000	332.114.000
- Accumulated depreciation	242		(34.364.000)	(332.114.000)
IV. Long term investments	250		28.082.138.444	29.008.424.984
1. Investments in subsidiaries	251		-	-
2. Investments in associates, joint-ventures	252		14.821.026.900	14.583.906.900
3. Other long term investments	258		13.261.111.544	15.538.908.393
4. Provision for long-term investments	259		-	(1.114.390.309)
VI. Other long-term assets	260		14.253.473.646	11.045.618.179
1. Long-term deferred expenses	261		10.041.996.941	7.463.633.399
2. Deferred income tax asset	262		597.481.194	362.945.121
3. Other long-term assets	268		3.613.995.511	3.219.039.660
V. Goodwill	269		-	-
TOTAL ASSETS	270		356.431.225.722	311.243.779.648

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Expressed in Vietnam dong unless otherwise stated

RESOURCES	Code	Notes	Ending balance	Beginning balance
A. LIABILITIES	300		217.480.917.528	169.164.478.272
I. Current liabilities	310		202.072.076.223	151.845.422.172
1. Short-term debts and loans	311		80.874.651.535	38.194.892.988
2. Trade payables	312		96.259.627.966	92.696.754.129
3. Advances from customers	313		3.435.762.259	2.346.444.075
4. Statutory obligations	314		1.477.614.244	1.400.540.415
5. Payable to employees	315		3.724.804.980	3.116.457.369
6. Accruals	316		10.538.812.384	8.501.419.149
7. Payables to related parties	317		-	-
8. Construction contractor payables based on agreed progress billings	318		-	-
9. Other payable	319		7.379.256.753	6.968.002.226
10. Short-term provision	320		-	-
11. Reward and welfare funds	323		(1.618.453.898)	(1.379.088.179)
II. Long term liabilities	330		15.408.841.305	17.319.056.100
1. Long-term trade payables	331		-	-
2. Long-term payables to related parties	332		-	-
3. Other long-term payables	333		2.884.272.269	2.093.330.183
4. Long-term loans and debts	334		12.176.212.681	14.841.627.703
5. Deferred income tax payables	335		61.219.809	39.173.788
6. Provision for unemployment funds	336		124.682.912	217.172.936
7. Long-term provision	337		-	-
8. Unrealized revenue	338		162.453.634	127.751.490
9. Scientific and technological development fund	339		-	-
B. OWNER'S EQUITY	400		138.950.308.194	142.079.301.376
I. Equity	410		138.950.308.194	142.079.301.376
1. Contributed legal capital (Share capital)	411		100.589.060.000	100.589.060.000
2. Capital surplus	412		34.551.810.046	34.551.810.046
3. Other contributed capital	413		-	-
4. Treasury shares	414		(2.616.000.640)	(32.400.000)
5. Asset revaluation surplus	415		-	-
6. Foreign exchange difference	416		-	19.247
7. Investment and development fund	417		970.956.900	2.002.730.165
8. Financial reserve fund	418		656.745.643	1.827.959.643
9. Other funds within owners' equity	419		-	-
10. Undistributed earnings	420		4.797.736.245	3.140.122.275
11. Capital expenditure fund	421		-	-
12. Enterprise reorganization support fund	422		-	-
II. Other capital, funds	430		-	-
1. Subsidy funds	432		-	-
2. Funds invested in fixed assets	433		-	-
C. NON-CONTROLLING INTEREST	439		-	-
TOTAL RESOURCES	440		356.431.225.722	311.243.779.648

PHU'ONG NAM GROUP**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 December 2010

Expressed in Vietnam dong unless otherwise stated

OFF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS	Notes	Ending balance	Beginning balance
1. Assets under operating lease		-	-
2. Goods held under trust or for processing		-	-
3. Goods held by the company on consignment		3.569.936.386	4.689.433.760
4. Bad debts written off		-	-
5. Foreign currencies			
- USD		137,15	237,53
- EUR		-	-
- SGD		-	-
6. Budgeted operating expenses		-	-

CHIEF ACCOUNTANT*Ho Chi Minh City, 15 Feb 2011*
GENERAL DIRECTOR**LA THAI HIEP****PHAN THI LE**

PHUONG NAM GROUP**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2010

Expressed in Vietnam dong unless otherwise stated

ITEMS	Code	Notes	Current year	Previous year
1. Revenue	01		307.256.502.909	301.479.746.130
2. Deductions	02		7.371.621.894	8.851.115.243
3. Net revenue	10		299.884.881.015	292.628.630.887
4. Cost of sales	11		203.049.558.456	210.757.884.284
5. Gross profit	20		96.835.322.559	81.870.746.603
6. Financial income	21		3.985.104.726	2.400.614.612
7. Financial expenses	22		8.502.006.044	5.284.063.282
<i>In which: Interest expense</i>	23		8.007.665.262	4.347.146.044
8. Selling expenses	24		75.317.129.148	66.987.359.264
9. General and administration expenses	25		19.316.444.979	17.354.009.015
10 Operating profit/(loss)	30		(2.315.152.886)	(5.354.070.347)
11. Other income	31		23.857.591.387	11.374.434.969
12. Other expense	32		11.692.130.321	1.328.606.568
13. Net other income/(loss)	40		12.165.461.066	10.045.828.401
14. Profit/(loss) in associates, joint-ventures	50		-	-
15. Accounting profit before tax	60		9.850.308.180	4.691.758.054
16.1 Current tax expense	61		4.655.163.801	1.251.565.783
16.2 Deferred tax expense	62		(212.490.053)	(32.956.872)
17. Net profit/(loss) after tax	70		5.407.634.432	3.440.192.271
17.1 Non-controlling interest	71		-	-
17.2 Profit after tax of the shareholders of The Parent Company	72		5.407.634.432	3.473.149.143
18. Earning per share	80		541	531

CHIEF ACCOUNTANT*Ho Chi Minh City, 15 Feb 2011*
GENERAL DIRECTOR**LA THAI HIEP****PHAN THI LE**