

**VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Corporate information	1
Statement by the Board of Directors	2
Auditor's report	3
Consolidated balance sheet (Form B 01 – DN/HN)	5
Consolidated income statement (Form B 02 – DN/HN)	8
Consolidated cash flow statement (Form B 03 – DN/HN)	9
Notes to the consolidated financial statements (Form B 09 – DN/HN)	11

# VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

## CORPORATE INFORMATION

<b>Business Registration Certificate No.</b>	4103001932 dated 20 November 2003 issued by the Planning and Investment Department of Ho Chi Minh City.	
	The Business Registration Certificate has been amended several times and its latest amendment no. 0300588569 dated 6 November 2012 was issued by the Planning and Investment Department of Ho Chi Minh City.	
<b>Board of Management</b>	Mdm Mai Kieu Lien Mr Le Song Lai Mr Hoang Nguyen Hoc Ms Ngo Thi Thu Trang Mr Pascal De Petrini Mr Wang Eng Chin Mr Le Anh Minh	Chairwoman Member (appointed on 23 March 2012) Member (resigned on 23 March 2012) Member Member (appointed on 4 December 2012) Member (resigned on 4 December 2012) Member
<b>Board of Directors</b>	Mdm Mai Kieu Lien Ms Nguyen Thi Thanh Hoa Ms Nguyen Thi Nhu Hang  Ms Ngo Thi Thu Trang Mr Tran Minh Van Mr Nguyen Quoc Khanh  Ms Nguyen Huu Ngoc Tran Mr Pham Phu Tuan  Mr Mai Hoai Anh	Chief Executive Officer Executive Director - Supply Chain Executive Director Dairy Farm Development Executive Director - Finance Executive Director - Project Acting Executive Director Production and Products Development Acting Executive Director - Marketing Acting Executive Director - Sales (resigned on 21 May 2012) Acting Executive Director - Sales (appointed on 21 May 2012)
<b>Legal representative</b>	Mdm Mai Kieu Lien	Chief Executive Officer
<b>Registered office</b>	10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City, SR Vietnam	
<b>Auditor</b>	PricewaterhouseCoopers (Vietnam) Limited	

## VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

### STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the consolidated financial statements of Vietnam Dairy Products Joint Stock Company (“the Company”) and its subsidiaries (together “the Group”) which give a true and fair view of the consolidated financial position of the Group as at 31 December 2012 and of the consolidated results and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable these consolidated financial statements to be prepared which complies with the basis of accounting set out in Note 2 to these consolidated financial statements. We are also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 46 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, and of the consolidated results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

On behalf of the Board of Directors *ML*



\_\_\_\_\_  
Mai Kieu Lien  
Chief Executive Officer

Ho Chi Minh City, SR Vietnam  
28 February 2013



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY**

We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together "the Group"), which were approved by the Board of Directors on 28 February 2013. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2012, the related consolidated income statement and cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 46.

### **Board of Directors' Responsibility for the Consolidated Financial Statements**

The Board of Directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2012, and its consolidated financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Ian S. Lydall  
AC No. N.0559/KTV  
Chairman

Quach Thanh Chau  
AC No. N.0875/KTV

PricewaterhouseCoopers (Vietnam) Limited  
Ho Chi Minh City, SR Vietnam  
Audit report number HCM3352  
28 February 2013

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and consolidated results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

## CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2012 VND	2011 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>11,110,610,188,964</b>	<b>9,467,682,996,094</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>1,252,120,160,804</b>	<b>3,156,515,396,990</b>
111	Cash		852,120,160,804	790,515,396,990
112	Cash equivalents		400,000,000,000	2,366,000,000,000
<b>120</b>	<b>Short-term investments</b>	4(a)	<b>3,909,275,954,492</b>	<b>736,033,188,192</b>
121	Short-term investments		4,039,304,630,112	815,277,431,792
129	Provision for diminution in value of short-term investments		(130,028,675,620)	(79,244,243,600)
<b>130</b>	<b>Accounts receivable</b>		<b>2,246,362,984,001</b>	<b>2,169,205,076,812</b>
131	Trade accounts receivable	5	1,269,841,759,012	1,143,168,467,855
132	Prepayments to suppliers		576,619,318,260	795,149,182,591
135	Other receivables	6	403,754,490,615	232,805,433,796
139	Provision for doubtful debts		(3,852,583,886)	(1,918,007,430)
<b>140</b>	<b>Inventories</b>	7	<b>3,472,845,352,518</b>	<b>3,272,495,674,110</b>
141	Inventories		3,476,300,517,903	3,277,429,580,780
149	Provision for decline in value of inventories		(3,455,165,385)	(4,933,906,670)
<b>150</b>	<b>Other current assets</b>		<b>230,005,737,149</b>	<b>133,433,659,990</b>
151	Short-term prepayments	8(a)	72,343,567,655	56,909,099,519
152	Value Added Tax to be reclaimed		154,118,437,302	74,772,661,634
158	Other current assets		3,543,732,192	1,751,898,837

The notes on pages 11 to 46 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**  
**(continued)**

Code	ASSETS (continued)	Note	As at 31 December	
			2012 VND	2011 VND
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>8,587,258,231,415</b>	<b>6,114,988,554,657</b>
<b>220</b>	<b>Fixed assets</b>		<b>8,042,300,548,493</b>	<b>5,044,762,028,869</b>
221	Tangible fixed assets	9(a)	4,223,443,459,603	3,493,628,542,454
222	Cost		6,512,875,316,427	5,301,826,836,260
223	Accumulated depreciation		(2,289,431,856,824)	(1,808,198,293,806)
227	Intangible fixed assets	9(b)	253,615,655,556	256,046,089,531
228	Cost		387,180,023,184	383,409,370,867
229	Accumulated depreciation		(133,564,367,628)	(127,363,281,336)
230	Construction in progress	9(c)	3,565,241,433,334	1,295,087,396,884
<b>240</b>	<b>Investment properties</b>	10	<b>96,714,389,090</b>	<b>100,671,287,539</b>
241	Cost		117,666,487,460	117,666,487,460
242	Accumulated depreciation		(20,952,098,370)	(16,995,199,921)
<b>250</b>	<b>Long-term investments</b>	4(b)	<b>284,428,762,040</b>	<b>846,713,756,424</b>
252	Investments in joint ventures and associates		217,944,646,507	205,418,475,253
258	Other long-term investments		80,840,000,000	783,646,073,800
259	Provision for diminution in value of long-term investments		(14,355,884,467)	(142,350,792,629)
<b>260</b>	<b>Goodwill</b>	11	<b>13,662,186,598</b>	<b>15,503,335,522</b>
<b>270</b>	<b>Other long-term assets</b>		<b>150,152,345,194</b>	<b>107,338,146,303</b>
271	Long-term prepayments	8(b)	41,073,978,122	25,598,314,795
272	Deferred income tax assets	12	108,001,947,072	80,643,411,508
278	Other long-term assets		1,076,420,000	1,096,420,000
<b>280</b>	<b>TOTAL ASSETS</b>		<b>19,697,868,420,379</b>	<b>15,582,671,550,751</b>

The notes on pages 11 to 46 are an integral part of these consolidated financial statements.



**CONSOLIDATED BALANCE SHEET**  
 (continued)



Code	RESOURCES	Note	As at 31 December	
			2012 VND	2011 VND
<b>300</b>	<b>LIABILITIES</b>		<b>4,204,771,824,521</b>	<b>3,105,466,354,267</b>
<b>310</b>	<b>Current liabilities</b>		<b>4,144,990,303,291</b>	<b>2,946,537,015,499</b>
312	Trade accounts payable	13	2,247,659,149,802	1,830,959,100,474
313	Advances from customers		21,589,364,414	116,844,952,210
314	Taxes and other payables to the State Budget	14	333,952,869,847	287,462,890,828
315	Payable to employees		106,150,509,860	44,740,312,110
316	Accrued expenses	15	365,103,636,850	260,678,009,293
319	Other payables	16	664,137,048,409	59,478,925,315
320	Bonus and welfare fund		406,397,724,109	346,372,825,269
<b>330</b>	<b>Long-term liabilities</b>		<b>59,781,521,230</b>	<b>158,929,338,768</b>
333	Other long-term liabilities	17	-	92,000,000,000
336	Provision for severance allowances	18	59,635,777,000	66,923,897,268
338	Unearned revenue		145,744,230	5,441,500
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>15,493,096,595,858</b>	<b>12,477,205,196,484</b>
<b>410</b>	<b>Capital and reserves</b>		<b>15,493,096,595,858</b>	<b>12,477,205,196,484</b>
411	Share capital	19, 20	8,339,557,960,000	5,561,147,540,000
412	Share premium	20	1,276,994,100,000	1,276,994,100,000
414	Treasury shares	20	(4,504,115,000)	(2,521,794,000)
417	Investment and development fund	20	93,889,017,729	908,024,236,384
418	Financial reserve fund	20	588,402,022,008	556,114,754,000
420	Undistributed earnings	20	5,198,757,611,121	4,177,446,360,100
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>19,697,868,420,379</b>	<b>15,582,671,550,751</b>

**OFF BALANCE SHEET ITEMS**

Included in cash and cash equivalents are balances held in following foreign currencies:

	As at 31 December	
	2012	2011
US\$	11,737,838.41	27,989,325.30
EUR	49,847.54	1,482,877.52

 _____ Le Thanh Liem Chief Accountant	 _____ Ngo Thi Thu Trang Executive Director - Finance	 _____ Mai Kieu Lien Chief Executive Officer 28 February 2013
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The notes on pages 11 to 46 are an integral part of these consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT

Code	Note	For the year ended 31 December	
		2012 VND	2011 VND
01	Sales	27,101,683,739,278	22,070,557,490,766
02	Less deductions	(540,109,559,314)	(443,128,597,657)
10	Net sales	22(a) 26,561,574,179,964	21,627,428,893,109
11	Cost of sales	23 (17,484,830,247,188)	(15,039,305,378,364)
20	Gross profit	9,076,743,932,776	6,588,123,514,745
21	Financial income	22(b) 475,238,586,049	680,232,453,133
22	Financial expenses	24 (51,171,129,415)	(246,429,909,362)
23	- In which: Interest expenses on loans	(3,114,837,973)	(13,933,130,085)
24	Selling expenses	25 (2,345,789,341,875)	(1,811,914,247,629)
25	General and administration expenses	26 (525,197,269,346)	(459,431,997,199)
30	Operating profit	6,629,824,778,189	4,750,579,813,688
31	Other income	350,323,343,748	323,106,037,829
32	Other expenses	(63,006,276,113)	(85,880,005,676)
40	Net other income	27 287,317,067,635	237,226,032,153
41	Share of associate's result	12,526,171,255	(8,813,950,770)
50	Net accounting profit before tax	6,929,668,017,079	4,978,991,895,071
51	Business income tax - current	28 (1,137,571,835,560)	(778,588,561,106)
52	Business income tax - deferred	28, 12 27,358,535,564	17,778,374,972
60	Net profit after tax	5,819,454,717,083	4,218,181,708,937
70	Basic earnings per share (VND)	29 6,981	5,145

Le Thanh Liem  
Chief Accountant

Ngo Thi Thu Trang  
Executive Director - Finance

Mai Kieu Lien  
Chief Executive Officer  
28 February 2013

The notes on pages 11 to 46 are an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
**(Indirect method)**

Code	Note	For the year ended 31 December	
		2012 VND	2011 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>Net profit before tax</b>	<b>6,929,668,017,079</b>	<b>4,978,991,895,071</b>
	Adjustments for:		
02	Depreciation and amortisation	535,451,905,298	414,590,126,008
03	(Reversal of provisions)/provisions	(75,028,609,419)	46,246,669,182
04	Unrealised foreign exchange losses	23,750,178,315	7,605,774,684
05	Losses from disposal of fixed assets	20,674,462,045	22,448,930,471
05	Interest and dividends income	(362,908,428,453)	(492,526,979,114)
05	Losses from other investing activities	12,177,054,066	9,240,144,764
06	Interest expense	3,114,837,973	13,933,130,085
<b>08</b>	<b>Operating profit before changes in working capital</b>	<b>7,086,899,416,904</b>	<b>5,000,529,691,151</b>
09	Increase in receivables	(177,763,748,924)	(1,105,678,269,247)
10	Increase in inventories	(273,491,911,774)	(1,021,809,144,291)
11	Increase in payables	268,727,745,184	703,897,108,817
12	Increase in prepaid expenses	(18,320,018,252)	(28,541,385,553)
13	Interest paid	(3,114,837,973)	(14,785,659,974)
14	Business income tax paid	(1,073,341,754,164)	(793,480,641,563)
15	Other receipts from operating activities	3,704,175,480	1,255,501,334
16	Other payments on operating activities	(518,731,228,162)	(330,218,588,434)
<b>20</b>	<b>Net cash inflows from operating activities</b>	<b>5,294,567,838,319</b>	<b>2,411,168,612,240</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and constructions	(3,133,999,297,771)	(1,767,206,055,153)
22	Proceeds from disposals of fixed assets	16,830,384,644	47,134,169,534
23	Loans granted to associates	-	(18,000,000,000)
23	Loans granted to third party	(30,000,000,000)	-
24	(Increase)/decrease in deposits at banks	(2,536,900,000,000)	1,170,408,000,000
24	Collection of loans granted to associates	18,000,000,000	-
24	Proceeds from disposal of long term investments	70,114,387,315	1,161,512,182
24	Proceeds from bonds matured	250,000,000,000	100,000,000,000
27	Dividends and interest received	372,293,347,387	472,509,194,809
<b>30</b>	<b>Net cash (outflows)/inflows from investing activities</b>	<b>(4,973,661,178,425)</b>	<b>6,006,821,372</b>

The notes on pages 11 to 46 are an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
(Indirect method)  
(continued)

Code	Note	For the year ended 31 December	
		2012 VND	2011 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31		-	1,454,528,400,000
32	19, 20	(1,982,321,000)	(1,852,743,000)
33		-	624,835,000,000
34		-	(1,209,835,000,000)
36	20, 21	(2,222,994,056,000)	(741,428,260,000)
<b>40</b>	<b>Net cash (outflows)/inflows from financing activities</b>	<b>(2,224,976,377,000)</b>	<b>126,247,397,000</b>
<b>50</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,904,069,717,106)</b>	<b>2,543,422,830,612</b>
<b>60</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>3,156,515,396,990</b>	<b>613,472,368,080</b>
61	Effect of foreign exchange differences	(325,519,080)	(379,801,702)
<b>70</b>	<b>Cash and cash equivalents at end of year</b>	<b>1,252,120,160,804</b>	<b>3,156,515,396,990</b>

Le Thanh Liem  
Chief Accountant

Ngo Thi Thu Trang  
Executive Director - Finance

Mai Kieu Lien  
Chief Executive Officer  
28 February 2013

The notes on pages 11 to 46 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012****1 GENERAL INFORMATION**

Vietnam Dairy Products Joint Stock Company (“the Company”, or “Vinamilk”) was initially established as a State Owned Enterprise under the control of the Ministry of Industry of the Socialist Republic of Vietnam (“SR Vietnam” or “the State”) in accordance with Decision No. 420/CNN/TCLD dated 29 April 1993. On 1 October 2003, the Company was equitised following Decision No. 155/2003/QD-BCN issued by the Ministry of Industry. On 20 November 2003, the Company was incorporated as a joint stock company under the Law on Enterprises of SR Vietnam according to Business Registration Certificate No. 4103001932 issued by the Planning and Investment Department of Ho Chi Minh City. The Company was subsequently listed on the Ho Chi Minh City Stock Exchange on 19 January 2006 according to the Listing Licence No. 42/UBCK-GPNY dated 28 December 2005 issued by the State Securities Commission.

On 19 April 2011, the Planning and Investment Department of Ho Chi Minh City issued another amended Business Registration Certificate No. 0300588569 approving the change in the Company’s registered office and the increase in owners’ capital to 3,565,706,400 thousand Vietnamese Dong.

On 23 August 2011, the Planning and Investment Department of Ho Chi Minh City issued another amended Business Registration Certificate No. 0300588569 approving the increase in owners’ capital to 3,708,255,500 thousand Vietnamese Dong.

In December 2011, the Company increased the share capital to 5,561,147,540 thousand Vietnamese Dong by issuing bonus shares to existing shareholders at ratio 2:1 as approved by the relevant authorities. The amended Business Registration Certificate No. 0300588569 for such increase in share capital was issued by the Planning and Investment Department of Ho Chi Minh City on 7 March 2012.

In December 2012, the Company increased the share capital to 8,339,557,960 thousand Vietnamese Dong by issuing bonus shares to existing shareholders at ratio 2:1 as approved by the relevant authorities. At the date of approval of the financial statements, the Company is in the process of registration for amended Business Registration Certificate for the increase in share capital.

The principal activities of the Company and its subsidiaries are:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
- Trading in food technology, spare parts, equipment, materials and chemicals;
- Trading in houses, brokerage and leasing of real estate;
- Warehousing, transportation services and loading;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee;
- Manufacture and sell plastic packages and label printing;
- Manufacture and sell plastic products;
- Health care clinic operations;
- Cattle raising and agricultural operations;
- Cattle raising: supply of breeding animals and breeding techniques;
- Activities supporting agricultural operations such as: supply of seeds of cultivated crops, guidance on cultivation techniques, cultivation harvest, soil working, irrigation;
- Post-harvest services;
- Treatments on seeds for multiplication purposes; and
- Manufacture biscuits.

**1 GENERAL INFORMATION (continued)**

The consolidated financial statements for the year ended 31 December 2012 comprises of the financial statements of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures as listed below:

Name	Address	31.12.2012		31.12.2011		
		% of ownership	% of voting rights	% of ownership	% of voting rights	
<b>Subsidiaries:</b>						
Vietnam Dairy Cow One Member Limited Company	10, Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	100%	100%	100%	100%	
Lam Son Dairy One Member Company Limited	Le Mon Industry Zone, Thanh Hoa Province, Vietnam	100%	100%	100%	100%	
International Real Estate One Member Limited Company	10, Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	100%	100%	100%	100%	
Dielac Dairy One Member Company Limited (*)	9, Tu Do Venue, Vietnam - Singapore Industrial Zone, Thuan An, Binh Duong	100%	100%	100%	100%	
<b>Jointly controlled entities:</b>						
Dairy Cow Development Project	Tu Tra Ward, Don Duong District, Lam Dong Province, Vietnam	25%	25%	25%	25%	
Horizon Apartment - Business Cooperation Contract	214, Tran Quang Khai, District 1, Ho Chi Minh City, Vietnam	24.5%	24.5%	24.5%	24.5%	
<b>Associates:</b>						
Asia Saigon Food Ingredients Joint Stock Company	Lot C, 9E My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	15%	15%	15.79%	15.79%	
Miraka Limited	Becker Findlay Allen C Tower 109 Tuwharetoa St, PO Box 1091, Taupo, New Zealand	19.3%	19.3%	19.3%	19.3%	

(\*) On 18 September 2012, the Board of Management of the Company issued the decision to liquidate Dielac Dairy One Member Company Limited (“Dielac”) to convert it to a branch of the Company. The liquidation of Dielac was approved by the Management Board of Vietnam – Singapore Industrial Park on 25 September 2012. On 29 November 2012, the tax code of Dielac was closed by Binh Duong Province’s tax department. On 4 December 2012, the Business Registration Certificate of the branch was issued by the Planning and Investment Department of Binh Duong Province, which renamed Dielac as Vietnam Powder Milk Factory. As at 31 December 2012, certain liquidation procedures of Dielac were still in progress.

As at 31 December 2012, the Group had 5,000 employees (2011: 4,638 employees).

## 2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

### 2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

### 2.2 Fiscal year

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

### 2.3 Consolidation

In 2012, the Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

#### ***Subsidiaries***

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### ***Transactions and minority interests***

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.3 Consolidation (continued)*****Joint ventures and associates***

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity which is subject to joint control. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures and associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.4 Use of estimates**

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the Board of Directors' best knowledge of current events and actions, actual results may differ from those estimates.

**2.5 Currency**

The consolidated financial statements are prepared and presented in Vietnamese Dong.

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

**2.6 Form of records applied**

The Group uses voucher ledgers to record its transactions.

**2.7 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.



**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.8 Trade receivables**

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Directors of all outstanding amounts at the year end. Bad debts are written off when identified.

**2.9 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

**2.10 Investments****(a) Short-term investments**

Short-term investments are investments with maturities less than 12 months from the balance sheet date and investments that are held with the intention to dispose within 12 months from the balance sheet date. Short-term investments are initially accounted for at cost. Provision for diminution is recognised for short term equity securities where the cost exceeds the fair value of such securities.

**(b) Investments in joint ventures and associates**

Investments in joint ventures and associates are accounted under the equity method of accounting in the consolidated financial statements.

**(c) Long-term investments**

- (i) Long-term bank deposits are those maturing after 12 months from the balance sheet date and are accounted for at cost.
- (ii) Investments in bonds are classified as long-term when they are held with no intention to dispose within 12 months from the balance sheet date. Investments in bonds are initially stated at cost. Subsequently, they are measured at cost less provision. Provision is required if there is evidence of a long-term decline in the value of the securities or in the case where the Group cannot recover its investments.
- (iii) Other long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose within 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.11 Fixed assets***Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

*Depreciation*

Fixed assets are depreciated on the straight-line method, to write off the cost of the assets to their residual value over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

	Years
Buildings and structures	10 - 50
Machinery and equipment	8 - 10
Motor vehicles	10
Office equipment	3 - 8
Software	6
Livestock	6

Land use rights are amortised, using the straight-line method over the terms indicated in the land use right certificates. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

*Subsequent expenditure*

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

*Disposals*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

**2.12 Leased assets**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on the straight-line basis over the period of the lease.

**2.13 Investment properties**

Investment properties are a building – or part of a building – or infrastructure held by the Group to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or administrative purposes or for sale in the normal course of business.

Investment properties are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the investment properties.

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.13 Investment properties (continued)***Depreciation*

Investment properties are depreciated on the straight-line method to write off the cost of the assets over their estimated useful lives, as follows:

	Years
Buildings	10 - 50
Infrastructure	10

Land use rights are amortised, using the straight-line method over the terms indicated in the land use right certificates. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

*Disposals*

Gains or losses on disposals are determined by comparing net disposal proceeds with the net book value and are recognised as income or expense in the income statement.

**2.14 Share capital and treasury shares**

Ordinary shares in issue are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds.

Where the Group purchase the Group's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received less any directly attributable incremental transaction costs is included in equity attributable to the Group's equity holders.

**2.15 Borrowing costs**

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

**2.16 Revenue recognition****(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement 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 likely return of goods.

**(b) Provision of services**

Revenue from the provision of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**(c) Interest income**

Interest income is recognized on the basis of the actual time and interest rate in each period.

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.16 Revenue recognition (continued)****(d) Dividend income**

Dividend income is recognised in the period in which the dividends are declared by the investee entities.

**2.17 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that the Socialist Republic of Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.18 Dividend distribution**

The Company's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting and after making appropriation to reserve funds in accordance with the Company's Charter.

Interim dividends are declared and paid based on the estimated earnings of the year. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Company's Annual General Meeting.

**2.19 Method of reserve appropriation**

Appropriation to reserve funds in accordance with the Company's Charter is as follows:

Investment and development fund	10% of profit after tax
Bonus and welfare fund	10% of profit after tax
Financial reserve fund	up to 5% of profit after tax

Appropriation to financial reserve fund will cease when the amount reaches 10% of the Company's paid-in capital. Utilisation of the above reserve funds requires approval of the Chief Executive Officer, the Board of Directors or the shareholders depending on the nature and magnitude of the transactions involved as stated in the Company's Charter and financial regulations.

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.20 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The State Capital Investment Corporation holds the largest shareholding in the Company and accordingly is regarded as a related party. However, enterprises which are controlled or significantly influenced by the State Capital Investment Corporation are not considered as related parties of the Company for the purposes of disclosure since they do not influence, or are not influenced by, the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**2.21 Provisions**

Provisions are recognised when: the Company or its subsidiaries have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

**2.22 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Company and its subsidiaries are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Company and its subsidiaries. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees. Pursuant to Law on Social Insurance, effective from 1 January 2009, the Company and its subsidiaries are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Company and its subsidiaries are no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as of 31 December 2012 is determined based on the employees' number of years of service up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

**3 CASH AND CASH EQUIVALENTS**

	<b>2012 VND</b>	<b>2011 VND</b>
Cash on hand	1,007,244,458	748,676,117
Cash at bank	850,362,916,346	789,766,720,873
Cash in transit	750,000,000	-
Cash equivalents (*)	400,000,000,000	2,366,000,000,000
	<u>1,252,120,160,804</u>	<u>3,156,515,396,990</u>

(\*) Cash equivalents include term deposits with an original maturity of 3 months or less.

**4 INVESTMENTS****(a) Short-term investments**

	<b>2012 VND</b>	<b>2011 VND</b>
Investment in unlisted equity securities	82,283,660,000	82,283,660,000
Investment in listed equity securities	211,020,970,112	24,993,771,792
Short-term deposits at banks	2,974,000,000,000	440,000,000,000
Bonds issued by local corporates	-	50,000,000,000
Bonds issued by local credit institutions	300,000,000,000	200,000,000,000
Other short-term investments	472,000,000,000	18,000,000,000
	<u>4,039,304,630,112</u>	<u>815,277,431,792</u>
Provision for diminution in value of short-term investments	(130,028,675,620)	(79,244,243,600)
	<u>3,909,275,954,492</u>	<u>736,033,188,192</u>

Provision for diminution in value of short-term investments has been made to reflect the fall in market prices of the related shares as at year end.

Movements in the provision for diminution in value of short-term investments during the year were as follows:

	<b>2012 VND</b>	<b>2011 VND</b>
Opening balance	79,244,243,600	70,657,669,500
Increase	-	8,586,574,100
Reclassification from provision for diminution in value of long-term investments (Note 4(b))	54,008,653,800	-
Reversal	(3,224,221,780)	-
	<u>130,028,675,620</u>	<u>79,244,243,600</u>

**4 INVESTMENTS (continued)****(b) Long-term investments**

The details of the long-term investments of the Group are as follows:

	<b>2012 VND</b>	<b>2011 VND</b>
<i>Long-term equity investments in associates and joint ventures:</i>		
Miraka Limited	178,904,317,366	173,228,494,143
Asia Saigon Food Ingredients Joint Stock Company	21,888,373,590	15,038,025,559
Horizon Apartment – Business Cooperation Contract	9,942,684,826	9,942,684,826
Dairy Cow Development Project	7,209,270,725	7,209,270,725
	<u>217,944,646,507</u>	<u>205,418,475,253</u>
<i>Other long-term investments:</i>		
Long-term bonds issued by local corporates	50,000,000,000	50,000,000,000
Long-term bonds issued by local credit institutions	-	300,000,000,000
<i>Other long-term investments:</i>		
Listed equity securities	-	206,996,073,800
Investment funds	30,540,000,000	106,350,000,000
Others	300,000,000	120,300,000,000
	<u>80,840,000,000</u>	<u>783,646,073,800</u>
<i>Provision for diminution in value of long-term investments</i>	<u>(14,355,884,467)</u>	<u>(142,350,792,629)</u>
	<u>284,428,762,040</u>	<u>846,713,756,424</u>

The movements in the provision for diminution in value of long-term investments were as follows:

	<b>2012 VND</b>	<b>2011 VND</b>
Opening balance	142,350,792,629	108,580,084,548
Increase	763,261,300	34,898,977,981
Reversal	(74,749,515,662)	(1,128,269,900)
Reclassification to provision for diminution in value of short-term investment (Note 4(a)) (*)	(54,008,653,800)	-
Closing balance	<u>14,355,884,467</u>	<u>142,350,792,629</u>

(\*) As at 31 December 2012, long-term investments in listed equity securities amounting to VND189,402,373,800 and the corresponding provision of VND54,008,653,800 were reclassified to short-term investments as the Company's management had intention to dispose them within 12 months from the balance sheet date.

**VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY**

**Form B 09 – DN/HN**

**5 TRADE ACCOUNTS RECEIVABLE**

	<b>2012 VND</b>	<b>2011 VND</b>
Third parties	1,269,841,759,012	1,143,168,467,855

**6 OTHER RECEIVABLES**

	<b>2012 VND</b>	<b>2011 VND</b>
Dividends receivable	-	6,144,600
Interest income on deposits	55,733,508,797	39,118,333,339
Interest income receivable on bonds and loans granted to other entities	27,586,763,700	53,480,095,630
Import duty refundable	235,708,097,835	128,535,499,715
Rebates receivable from suppliers	76,841,890,627	-
Others	7,884,229,656	11,665,360,512
	<u>403,754,490,615</u>	<u>232,805,433,796</u>

**7 INVENTORIES**

	<b>2012 VND</b>	<b>2011 VND</b>
Goods in transit	702,869,203,610	972,360,197,401
Raw materials	2,041,420,485,347	1,590,350,151,377
Tools and supplies	8,332,323,313	1,833,344,075
Work in progress	89,198,796,393	61,562,596,516
Finished goods	591,779,813,093	579,265,915,242
Merchandise goods	20,857,268,341	23,686,995,937
Goods on consignment	21,842,627,806	48,370,380,232
	<u>3,476,300,517,903</u>	<u>3,277,429,580,780</u>
Provision for decline in value of inventory	(3,455,165,385)	(4,933,906,670)
	<u>3,472,845,352,518</u>	<u>3,272,495,674,110</u>

Movements in the provision for inventories during the year were as follows:

	<b>2012 VND</b>	<b>2011 VND</b>
Opening balance	4,933,906,670	4,133,214,915
Increase	8,686,194,492	10,074,642,239
Reversal	(8,476,656,163)	(8,018,602,015)
Written-off	(1,688,279,614)	(1,255,348,469)
	<u>3,455,165,385</u>	<u>4,933,906,670</u>



**8 PREPAYMENTS****(a) Short-term prepayments**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Advertising expenses	2,542,287,500	8,320,100,182
Land, warehouse and other rental expenses	1,587,393,638	2,414,274,654
Software development and server maintenance expenses	2,499,507,569	3,862,183,375
Tools and supplies supporting selling activities	46,373,495,946	34,676,924,998
Other tools and supplies	10,519,642,156	4,255,096,359
Repair and maintenance expenses	7,133,316,219	1,381,630,958
Other expenses	1,687,924,627	1,998,888,993
	<u>72,343,567,655</u>	<u>56,909,099,519</u>

**(b) Long-term prepayments**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Land rental	2,159,885,571	2,434,012,586
Tools and supplies supporting selling activities	15,699,234,727	11,241,646,159
Other expenses	23,214,857,824	11,922,656,050
	<u>41,073,978,122</u>	<u>25,598,314,795</u>

Movement of long-term prepayments during the year was as follows:

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Opening balance	25,598,314,795	97,740,813,322
Increase	98,456,539,909	75,772,676,087
Charged to income statement	(8,365,677,045)	(3,668,511,654)
Transfers to intangible fixed assets	-	(82,680,130,919)
Transfers to short-term prepayments (*)	(74,615,199,537)	(61,566,532,041)
	<u>41,073,978,122</u>	<u>25,598,314,795</u>

(\*) Represented a portion of long-term prepayments to be allocated within a year.

VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Form B 09 – DN/HN

9 FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Total VND
<b>Historical cost</b>						
At 1 January 2012	910,815,133,889	3,595,320,134,802	342,750,559,768	257,437,883,086	195,503,124,715	<b>5,301,826,836,260</b>
New purchases	26,327,202,110	136,900,621,045	58,794,694,591	56,748,352,395	-	<b>278,770,870,141</b>
Transfers from construction in progress (Note 9(c))	257,951,636,615	681,819,789,341	14,868,734,720	6,522,338,934	-	<b>961,162,499,610</b>
Transfers from inventory	-	-	-	-	72,831,881,331	<b>72,831,881,331</b>
Reclassifications	2,201,083,457	(2,382,953,980)	251,261,432	(69,390,909)	-	-
Disposals	(9,982,438,826)	(7,508,693,865)	(54,545,807,852)	(4,619,456,413)	(25,056,789,279)	<b>(101,713,186,235)</b>
Other decreases	-	(3,584,680)	-	-	-	<b>(3,584,680)</b>
At 31 December 2012	<u>1,187,312,617,245</u>	<u>4,404,145,312,663</u>	<u>362,119,442,659</u>	<u>316,019,727,093</u>	<u>243,278,216,767</u>	<b><u>6,512,875,316,427</u></b>
<b>Accumulated depreciation</b>						
At 1 January 2012	217,612,580,950	1,285,791,657,838	143,083,992,356	120,979,925,716	40,730,136,946	<b>1,808,198,293,806</b>
Charge for the year	48,704,874,132	362,635,368,504	30,188,603,674	46,006,042,200	36,488,175,567	<b>524,023,064,077</b>
Reclassifications	67,482,521	(126,500,985)	67,003,048	(7,984,584)	-	-
Disposals	(2,152,794,721)	(6,873,800,632)	(21,809,552,972)	(4,574,502,487)	(7,378,850,247)	<b>(42,789,501,059)</b>
At 31 December 2012	<u>264,232,142,882</u>	<u>1,641,426,724,725</u>	<u>151,530,046,106</u>	<u>162,403,480,845</u>	<u>69,839,462,266</u>	<b><u>2,289,431,856,824</u></b>
<b>Net book value</b>						
At 1 January 2012	<u>693,202,552,939</u>	<u>2,309,528,476,964</u>	<u>199,666,567,412</u>	<u>136,457,957,370</u>	<u>154,772,987,769</u>	<b><u>3,493,628,542,454</u></b>
At 31 December 2012	<u><u>923,080,474,363</u></u>	<u><u>2,762,718,587,938</u></u>	<u><u>210,589,396,553</u></u>	<u><u>153,616,246,248</u></u>	<u><u>173,438,754,501</u></u>	<b><u><u>4,223,443,459,603</u></u></b>

**9 FIXED ASSETS (continued)****(a) Tangible fixed assets (continued)**

Included in the tangible fixed assets were assets costing VND671,586,199,605 which were fully depreciated as at 31 December 2012 (31 December 2011: VND628,995,160,327), but which are still in active use.

**(b) Intangible fixed assets**

	Land use rights VND	Software VND	Total VND
<b>Historical cost</b>			
At 1 January 2012	324,478,280,840	58,931,090,027	<b>383,409,370,867</b>
Additions	-	5,041,508,797	<b>5,041,508,797</b>
Disposals	-	(1,270,856,480)	<b>(1,270,856,480)</b>
At 31 December 2012	<u>324,478,280,840</u>	<u>62,701,742,344</u>	<u><b>387,180,023,184</b></u>
<b>Accumulated amortisation</b>			
At 1 January 2012	78,679,820,739	48,683,460,597	<b>127,363,281,336</b>
Charge for the year	4,076,328,249	3,395,614,523	<b>7,471,942,772</b>
Disposals	-	(1,270,856,480)	<b>(1,270,856,480)</b>
At 31 December 2012	<u>82,756,148,988</u>	<u>50,808,218,640</u>	<u><b>133,564,367,628</b></u>
<b>Net book value</b>			
At 1 January 2012	<u>245,798,460,101</u>	<u>10,247,629,430</u>	<u><b>256,046,089,531</b></u>
At 31 December 2012	<u><u>241,722,131,852</u></u>	<u><u>11,893,523,704</u></u>	<u><u><b>253,615,655,556</b></u></u>

Included in the intangible fixed assets were assets costing VND45,221,516,597 which were fully amortised as at 31 December 2012 (2011: VND43,568,790,597), but which are still in active use.

**9 FIXED ASSETS (continued)****(c) Construction in progress**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Opening balance	1,295,087,396,884	665,282,453,729
Additions	3,244,215,655,105	1,765,978,487,062
Transfers to tangible fixed assets (Note 9(a))	(961,162,499,610)	(1,130,614,746,336)
Transfers to inventory	-	(4,529,164,165)
Other decreases	(12,899,119,045)	(1,029,633,406)
	<hr/>	<hr/>
Closing balance	3,565,241,433,334	1,295,087,396,884
	<hr/> <hr/>	<hr/> <hr/>

Main projects relate to the following locations:

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Vietnam milk factory	1,819,204,239,183	252,972,591,210
Dielac 2 powder milk factory	1,509,809,070,248	383,594,721,240
Can Tho branch	45,086,527,051	44,989,951,351
Dairy cow farms	35,366,294,536	15,893,206,674
Da Nang milk factory	21,448,226,014	237,931,390,899
Saigon milk factory	591,352,078	80,403,563,112
Tien Son milk factory	-	81,555,694,010
Nghe An milk factory	-	35,495,060,435
Dielac milk factory	-	33,679,200,351
	<hr/>	<hr/>

**10 INVESTMENT PROPERTIES**

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
<b>Historical cost</b>				
At 1 January 2012 and 31 December 2012	27,489,150,000	5,994,290,197	84,183,047,263	<b>117,666,487,460</b>
<b>Accumulated depreciation</b>				
At 1 January 2012	-	1,144,301,491	15,850,898,430	<b>16,995,199,921</b>
Charge for the year	-	599,429,017	3,357,469,432	<b>3,956,898,449</b>
At 31 December 2012	-	1,743,730,508	19,208,367,862	<b>20,952,098,370</b>
<b>Net book value</b>				
At 1 January 2012	27,489,150,000	4,849,988,706	68,332,148,833	<b>100,671,287,539</b>
At 31 December 2012	27,489,150,000	4,250,559,689	64,974,679,401	<b>96,714,389,090</b>

The land use rights represented freehold land in Hai Chau District, Da Nang City and was carried at cost and not amortised.

Included in the investment properties were assets costing VND6,976,800,000 which were fully depreciated as at 31 December 2012 (31 December 2011: VND6,976,800,000), but which are still in active use.

**11 GOODWILL**

Movements of goodwill during the year were as follows:

	2012 VND	2011 VND
Opening balance	15,503,335,522	19,556,808,664
Decrease	-	(2,269,050,480)
Charged to the income statement	(1,841,148,924)	(1,784,422,662)
Closing balance	13,662,186,598	15,503,335,522

**12 DEFERRED INCOME TAX ASSETS**

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>2012 VND</b>	<b>2011 VND</b>
Opening balance	80,643,411,508	62,865,036,536
Income statement credit	27,358,535,564	17,778,374,972
	<hr/>	<hr/>
Closing balance	108,001,947,072	80,643,411,508
	<hr/> <hr/>	<hr/> <hr/>

The deferred income tax asset mainly arises from unrealised foreign exchange differences, provisions and accruals.

**13 TRADE ACCOUNTS PAYABLE**

	<b>2012 VND</b>	<b>2011 VND</b>
Third parties	2,242,761,181,733	1,722,763,113,643
Related parties (Note 31(b))	4,897,968,069	108,195,986,831
	<hr/>	<hr/>
	2,247,659,149,802	1,830,959,100,474
	<hr/> <hr/>	<hr/> <hr/>

**14 TAXES AND OTHER PAYABLES TO STATE BUDGET**

	<b>2012 VND</b>	<b>2011 VND</b>
Value Added Tax	59,106,005,706	78,912,830,769
Import duty	3,932,727,653	5,819,918,779
Business income tax	252,860,913,932	188,626,252,026
Personal income tax	18,020,617,756	13,715,531,182
Others	32,604,800	388,358,072
	<hr/>	<hr/>
	333,952,869,847	287,462,890,828
	<hr/> <hr/>	<hr/> <hr/>

**15 ACCRUED EXPENSES**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Sales incentives for distributors	172,183,794,781	166,981,423,467
Expenses for product display	-	138,181,804
Advertising expenses	116,910,036,213	29,428,701,502
Transportation expenses	23,976,054,607	25,359,546,962
Fuel expenses	7,115,522,438	5,795,564,015
Repair and maintenance expenses	5,797,227,711	6,357,023,147
Expenses for outsourced employees	11,164,299,513	7,252,173,600
Others	27,956,701,587	19,365,394,796
	<u>365,103,636,850</u>	<u>260,678,009,293</u>

Other accrued expenses as at 31 December 2012 mainly comprised of land rentals and other general and administration expenses.

**16 OTHER PAYABLES**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Deposits received from customers	18,642,185,025	13,510,621,271
Import duty payable not past due	176,541,502,888	31,891,388,948
Payables to minority shareholders of subsidiaries	-	34,800,000
Other payables relating to financial investments (*)	448,007,419,155	184,859,155
Staff insurance and trade union fees	582,711,892	615,429,742
Others	20,363,229,449	13,241,826,199
	<u>664,137,048,409</u>	<u>59,478,925,315</u>

(\*) Other payables relating to financial investments included an advance payment of VND447,822,000,000 received from a third party in respect of the future transfer of the Company's investment in a bank. The transfer can only be effective upon approval by the bank's Annual General Meeting or Board of Management and its founding shareholders; or after five years from the date of establishment of the bank, whichever comes first. The advance amount comprised of VND92,000,000,000 received in previous years and VND355,822,000,000 received in 2012.

**17 OTHER LONG-TERM LIABILITIES**

Other long-term liabilities were reclassified to other short-term payables in 2012 as they will be settled within 12 months from the balance sheet date (Note 16).

**18 PROVISION FOR SEVERANCE ALLOWANCES**

Movements for provision for severance allowances during the year were as follows:

	<b>2012 VND</b>	<b>2011 VND</b>
Opening balance	66,923,897,268	51,373,933,083
Increase	1,687,443,587	16,618,656,982
Payment during the year	(680,685,501)	(1,068,692,797)
Reversal	(8,294,878,354)	-
Closing balance	<u>59,635,777,000</u>	<u>66,923,897,268</u>

**19 SHARE CAPITAL**

On 20 November 2012, the Ho Chi Minh City Stock Exchange issued Notification No. 926/2012/TB-SGDHCM to approve for the registration of 277,841,042 bonus shares of 2:1 ratio in circulation, which were issued using the Investment and Development Fund and undistributed earnings to raise the share capital to VND8,339,557,960,000. As at 31 December 2012, the Company is in the process of registration for amended Business Registration Certificate for the increase in share capital.

The Company's authorised and issued share capitals are:

	<u>31.12.2012</u>		<u>31.12.2011</u>	
	Number of shares	VND	Number of shares	VND
Authorised share capital	833,955,796	8,339,557,960,000	556,114,754	5,561,147,540,000
<b>Issued share capital</b>				
Ordinary shares	833,955,796	8,339,557,960,000	556,114,754	5,561,147,540,000
<b>Treasury shares</b>				
Ordinary shares	(430,120)	(4,504,115,000)	(247,140)	(2,521,794,000)
<b>Shares currently in circulation</b>				
Ordinary shares	<u>833,525,676</u>	<u>8,335,053,845,000</u>	<u>555,867,614</u>	<u>5,558,625,746,000</u>

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meetings. Ordinary shares are ranked equally with regard to the Company's residual assets. Shareholders are eligible to dividends declared by the Company. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.



VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Form B 09 – DN/HN

20 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
As at 1 January 2011	3,530,721,200,000	-	(669,051,000)	2,172,290,789,865	353,072,120,000	1,909,021,531,417	<b>7,964,436,590,282</b>
Capital increase during the year	2,030,426,340,000	1,276,994,100,000	-	(1,852,892,040,000)	-	-	<b>1,454,528,400,000</b>
Purchase of treasury shares	-	-	(1,852,743,000)	-	-	-	<b>(1,852,743,000)</b>
Profit for the year	-	-	-	-	-	4,218,181,708,937	<b>4,218,181,708,937</b>
Appropriations to reserves	-	-	-	588,625,486,519	203,042,634,000	(1,208,328,620,254)	<b>(416,660,499,735)</b>
Dividends paid	-	-	-	-	-	(741,428,260,000)	<b>(741,428,260,000)</b>
As at 31 December 2011	5,561,147,540,000	1,276,994,100,000	(2,521,794,000)	908,024,236,384	556,114,754,000	4,177,446,360,100	<b>12,477,205,196,484</b>
Capital increase during the year	2,778,410,420,000	-	-	(1,628,883,194,992)	-	(1,149,527,225,008)	-
Purchase of treasury shares	-	-	(1,982,321,000)	-	-	-	<b>(1,982,321,000)</b>
Profit for the year	-	-	-	-	-	5,819,454,717,083	<b>5,819,454,717,083</b>
Appropriations to reserves	-	-	-	814,747,976,337	32,287,268,008	(1,425,622,185,054)	<b>(578,586,940,709)</b>
Dividends paid (Note 21)	-	-	-	-	-	(2,222,994,056,000)	<b>(2,222,994,056,000)</b>
As at 31 December 2012	8,339,557,960,000	1,276,994,100,000	(4,504,115,000)	93,889,017,729	588,402,022,008	5,198,757,611,121	<b>15,493,096,595,858</b>

**21 DIVIDENDS**

During 2012, the Company has declared and paid final dividends of 20% in cash of the year ended 31 December 2011 and interim dividends of 20% in cash of the year ended 31 December 2012.

Final dividends in respect of the year ended 31 December 2012 are to be proposed at the Company's Annual General Meeting in 2013.

**22 REVENUE****(a) Net sales**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
<b>Sales</b>		
Sales of merchandise goods	378,856,511,250	302,234,100,241
Sales of finished goods	26,687,053,494,046	21,737,996,256,230
Revenue from provision of real estate services	11,694,544,989	9,636,945,888
Revenue from provision of other services	24,079,188,993	20,690,188,407
	<u>27,101,683,739,278</u>	<u>22,070,557,490,766</u>
<b>Sales deductions</b>		
Trade discounts	(529,926,422,029)	(441,891,678,905)
Sales returns	(10,183,137,285)	(1,236,918,752)
	<u>(540,109,559,314)</u>	<u>(443,128,597,657)</u>
<b>Net sales</b>	<u><u>26,561,574,179,964</u></u>	<u><u>21,627,428,893,109</u></u>

**(b) Financial income**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Interest income on loan granted	468,750,000	2,445,000,000
Interest income on deposits	249,762,897,095	366,516,423,111
Interest income on bonds	77,056,806,958	97,988,961,693
Dividends income	35,619,974,400	25,576,594,310
Realised foreign exchange gains	103,438,947,734	133,011,736,352
Gains from foreign currency translation at year end	-	53,335,201,499
Gain on disposal of investments	8,790,592,000	-
Others	100,617,862	1,358,536,168
	<u>475,238,586,049</u>	<u>680,232,453,133</u>

**VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY**

**Form B 09 – DN/HN**

**23 COST OF SALES**

	<b>2012 VND</b>	<b>2011 VND</b>
Merchandise goods sold	313,985,989,376	286,607,568,444
Finished goods sold	17,110,723,660,326	14,684,630,075,415
Real estate services provided	5,511,306,230	5,461,852,413
Other services provided	1,021,956,715	1,314,885,592
Inventories deficiencies	6,163,282,024	2,017,880,798
Expenses in excess of normal value	47,214,514,188	57,217,075,478
Provision for the decline in value of inventory	209,538,329	2,056,040,224
	<u>17,484,830,247,188</u>	<u>15,039,305,378,364</u>

**24 FINANCIAL EXPENSES**

	<b>2012 VND</b>	<b>2011 VND</b>
Payment discounts for distributors	31,602,235,707	22,667,657,049
Interest expenses on loans	3,114,837,973	13,933,130,085
Interest expenses on deposits received	1,016,360,739	1,173,590,655
Realised foreign exchange losses	37,855,110,550	105,298,278,209
Losses on foreign currency translation at year end (Reversal of provision)/provision for diminution in value of investments	23,750,178,315 (77,210,476,142)	60,940,976,183 42,357,282,181
Other financial expenses	31,042,882,273	58,995,000
	<u>51,171,129,415</u>	<u>246,429,909,362</u>

**25 SELLING EXPENSES**

	<b>2012 VND</b>	<b>2011 VND</b>
Advertising expenses	586,620,623,362	400,203,453,923
Promotion expenses	635,694,113,386	501,645,805,671
Support and commission expenses for distributors	405,354,439,716	330,271,502,489
Staff costs	154,142,240,782	126,040,690,295
Material expenses	56,236,043,231	46,661,138,368
Tools and supplies expenses	61,297,993,881	36,459,224,005
Depreciation expenses	25,653,373,488	25,827,515,080
Expenses of damaged goods	13,803,784,829	10,079,299,960
Transportation for goods sold	307,016,838,337	254,224,204,720
Outside service expenses	99,969,890,863	80,501,413,118
	<u>2,345,789,341,875</u>	<u>1,811,914,247,629</u>

## 26 GENERAL AND ADMINISTRATION EXPENSES

	2012 VND	2011 VND
Staff costs	165,496,215,666	139,108,109,646
Material expenses	13,566,054,345	10,884,949,950
Office supplies	4,275,239,859	5,130,371,249
Depreciation expense	60,091,120,002	50,962,059,856
Fees and duties	15,421,910,323	5,136,600,449
Provision of doubtful debts and severance allowance	1,344,579,930	18,452,003,759
Transportation for internal transfer of goods	50,852,128,502	47,134,745,105
Outside service expenses	123,243,688,760	96,091,668,645
Loading expenses	24,670,644,465	32,483,865,536
Per diem allowances	18,037,151,325	14,907,572,769
Bank charges	5,975,197,656	6,926,788,557
Others	42,223,338,513	32,213,261,678
	<u>525,197,269,346</u>	<u>459,431,997,199</u>

## 27 NET OTHER INCOME

	2012 VND	2011 VND
<b>Other income</b>		
Compensation received from other parties	789,778,800	3,140,520,594
Proceeds from disposals of fixed assets	38,249,877,676	58,616,361,045
Proceeds from sales of scraps, tools and supplies	94,593,140,503	81,356,185,908
Rebate income from suppliers	196,470,446,738	166,810,521,148
Sundry income	20,220,100,031	13,182,449,134
	<u>350,323,343,748</u>	<u>323,106,037,829</u>
<b>Other expenses</b>		
Net book value of fixed assets disposed	(58,923,685,176)	(81,065,291,516)
Cost of tools, supplies and scraps disposed	(81,732,178)	(1,395,686,642)
Fines due to contract breach	-	(722,472,308)
Sundry expenses	(4,000,858,759)	(2,696,555,210)
	<u>(63,006,276,113)</u>	<u>(85,880,005,676)</u>
<b>Net other income</b>	<u>287,317,067,635</u>	<u>237,226,032,153</u>

**28 BUSINESS INCOME TAX**

The Company is required to pay business income tax (“BIT”) at rates ranging from 15% to 25%, depending on locations of its factories, on taxable profits. In the Group, only the Company and Lam Son Dairy One Member Company Limited incurred the business income tax charges. Other companies have no taxable income.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the normal tax rate of 25% as regulated in current tax regulations as follows:

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Net accounting profit before tax	6,929,668,017,079	4,978,991,895,071
Tax calculated at the tax rate of 25%	1,732,417,004,270	1,244,747,973,768
Effect of:		
Different tax rates applicable for branches and subsidiaries	(313,944,391,849)	(226,947,759,566)
Income not subject to tax	(21,681,732,054)	(24,161,191,796)
Expenses not deductible for tax purposes	6,147,267,330	5,821,560,435
Tax incentives	(316,897,335,259)	(251,427,181,503)
Recognition of deferred income tax asset which was not previously recognised	(7,099,509,506)	-
Deferred income tax asset written off	5,315,132,448	-
Current tax losses in subsidiaries for which no deferred income tax asset was recognised	7,720,353,075	7,362,992,662
Under-provision in previous years	18,236,511,541	5,413,792,134
Business income tax charge	<u>1,110,213,299,996</u>	<u>760,810,186,134</u>

The Group’s business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the respective local tax authorities.

**29 BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	<b>2012</b>	<b>2011</b>
Net profit attributable to shareholders (VND)	5,819,454,717,083	4,218,181,708,937
Weighted average number of ordinary shares in issuance	833,639,586	546,582,775
Basic earnings per share based on weighted average number of ordinary shares in issuance (VND)	6,981	7,717
Weighted average number of ordinary shares in issuance recalculated on the assumption that the bonus shares issued in December 2012 had been issued since 1 January 2011	833,639,586	819,874,163
Basic earnings per share recalculated on the assumption that the bonus shares issued in December 2012 had been issued since 1 January 2011 (VND)	<u>6,981</u>	<u>5,145</u>

The Group does not have potentially dilutive ordinary shares.

**30 COST OF GOODS MANUFACTURED BY FACTORS**

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Raw materials	16,367,691,633,669	14,287,698,212,202
Labour costs	736,961,575,667	601,635,087,269
Depreciation expenses	534,303,105,072	414,590,126,002
Outside service expenses	922,116,282,884	747,394,008,140
Other cash expenses	1,842,875,132,323	1,418,792,597,684
	<u>20,403,947,729,615</u>	<u>17,470,110,031,297</u>

**31 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

The largest shareholder of the Company is the State Capital Investment Corporation (“SCIC”) which owns 45.05% of the Company’s share capital. The SCIC is controlled by the Government of SR Vietnam.

**(a) Related party transactions**

During the year, the following transactions were carried out with related parties:

***i) Sales of goods and services***

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
<b>Associates:</b>		
Asia Saigon Food Ingredients Joint Stock Company	-	112,180,852
	<u>-</u>	<u>112,180,852</u>

***ii) Purchases of goods and services***

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
<b>Jointly controlled entities:</b>		
Dairy Cow Development Project	3,761,820,098	3,483,876,513
<b>Associates:</b>		
Miraka Limited	376,348,603,444	208,625,385,663
Asia Saigon Food Ingredients Joint Stock Company	37,676,635,000	8,283,190,000
	<u>417,787,058,542</u>	<u>220,392,452,176</u>



**32 SEGMENTAL REPORTING**

Segment information is presented in respect of the Group's geographical segment. The primary format, geographical segments, is based on the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling, general and administration expenses, other gains or losses, and corporate income tax.

*Geographical segments*

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, which is located in Vietnam ("Domestic") or countries other than Vietnam ("Export").

	Domestic		Export		Total	
	2012	2011	2012	2011	2012	2011
	VND	VND	VND	VND	VND	VND
Sales revenue	22,849,151,383,120	18,854,564,315,218	3,712,422,796,844	2,772,864,577,891	<b>26,561,574,179,964</b>	<b>21,627,428,893,109</b>
Cost of sales	(14,546,267,732,706)	(12,815,260,529,233)	(2,938,562,514,482)	(2,224,044,849,131)	<b>(17,484,830,247,188)</b>	<b>(15,039,305,378,364)</b>
Segment income	8,302,883,650,414	6,039,303,785,985	773,860,282,362	548,819,728,760	<b>9,076,743,932,776</b>	<b>6,588,123,514,745</b>



**33 CAPITAL COMMITMENTS**

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Buildings, factories, machineries and equipment	453,394,023,691	2,142,064,573,853

**34 COMMITMENTS UNDER OPERATING LEASES**

The future minimum lease payments under non-cancellable operating leases are as follows:

	<b>Land and warehouse rental</b>	
	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Within 1 year	9,046,521,632	5,281,677,565
Between 1 and 5 years	36,186,086,528	21,133,710,260
Over 5 years	256,388,911,967	175,917,048,989
Total minimum payments	301,621,520,127	202,332,436,814

**35 FINANCIAL RISK MANAGEMENT****Financial risk factors****Overview**

The Group has exposure to the following risks from their use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board establishes policies to identify and analyse the risks faced by the Group, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

**(a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

## 35 FINANCIAL RISK MANAGEMENT (continued)

## (a) Market risk (continued)

## (i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the VND. The currencies giving rise to this risk are primarily United States Dollar (“USD”) and Euro (“EUR”).

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Board does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The Group’s currency exposure to the USD and EUR is as follows:

	As at 31 December 2012			
	Original currency		Equivalent to VND	
	USD	EUR	USD	EUR
<b>Financial assets</b>				
Cash and bank deposits	11,737,838	49,848	244,147,038,928	1,360,887,689
Trade and other receivables	26,862,852	9,151	558,747,318,929	249,831,451
	<u>38,600,690</u>	<u>58,999</u>	<u>802,894,357,857</u>	<u>1,610,719,140</u>
<b>Financial liabilities</b>				
Trade and other payables	(35,559,707)	(12,185,695)	(739,641,898,740)	(332,681,669,023)
<b>Currency exposure</b>	<u>3,040,983</u>	<u>(12,126,696)</u>	<u>63,252,459,117</u>	<u>(331,070,949,883)</u>
	As at 31 December 2011			
	Original currency		Equivalent to VND	
	USD	EUR	USD	EUR
<b>Financial assets</b>				
Cash and bank deposits	27,989,325	1,482,878	582,961,667,350	40,976,354,510
Trade and other receivables	25,905,903	-	539,568,149,410	-
	<u>53,895,228</u>	<u>1,482,878</u>	<u>1,122,529,816,760</u>	<u>40,976,354,510</u>
<b>Financial liabilities</b>				
Trade and other payables	(38,849,352)	(12,606,518)	(809,154,305,747)	(348,355,921,842)
<b>Currency exposure</b>	<u>15,045,876</u>	<u>(11,123,640)</u>	<u>313,375,511,013</u>	<u>(307,379,567,332)</u>

At 31 December 2012, if the USD had strengthened/weakened by 10% against the VND with all other variables including tax rate being held constant, the Group’s consolidated profit after tax for the financial year would have been VND4,743,934,434 higher/lower as a result of currency translation gains/losses on the remaining USD-denominated financial instruments.

**35 FINANCIAL RISK MANAGEMENT (continued)****(a) Market risk (continued)***(i) Currency risk (continued)*

At 31 December 2012, if the EUR had strengthened/weakened by 10% against the VND with all other variables including tax rate being held constant, the Group's consolidated profit after tax for the financial year would have been VND24,830,321,241 lower/higher as a result of currency translation losses/gains on the remaining EUR-denominated financial instruments.

*(ii) Price risk*

The Group invests in equity investments of listed and non-listed companies and is exposed to risks of price fluctuations of these investments. The risk factors affecting the performance of these investments include financial performance and position of invested companies and market conditions. The Board manages the former factor by selecting industries and entities to invest in. The latter factor is itself affected by general economic conditions in Vietnam and behaviours of investors, which are all out of the Board's control. These factors have caused market conditions to be volatile in the past two years.

For the investments in listed securities, if the share prices had increased/decreased by 10% with all other variables including tax rate being held constant, the Group's consolidated profit after tax would have been VND10,425,695,430 higher/lower.

*(iii) Interest rate risk*

The Group is not exposed to significant interest rate risk on its borrowings as the Group's policy is to maintain 100% of fixed-rate borrowings. In addition, as at 31 December 2012, the Group had fully repaid all of its borrowings.

**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

*Trade and other receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

**35 FINANCIAL RISK MANAGEMENT (continued)****(b) Credit risk (continued)***Investments*

The Group limits its exposure to credit risk by investing only in liquid securities and only with counter parties that have good creditworthiness. The Board actively monitors credit risk and does not expect any counter party failing to meet its obligations.

*Balances with banks*

All the bank balances are placed with local financial institutions. The Board does not expect any losses arising from performance of these financial institutions.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Group's major classes of financial assets are bank deposits and trade and other receivables, and investments.

*(i) Financial assets that are neither past due nor impaired*

Bank deposits and investments in bonds that are neither past due nor impaired are mainly term deposits and investments in bonds issued by local banks which have high credit-ratings in Vietnam as assessed by the Board. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Group.

The Group's trade and other receivables not past due amounted to VND1,651,987,314,538 (2011: VND1,353,317,082,254).

*(ii) Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

Trade and other receivables that are past due but not impaired are as follows:

	<b>As at 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
Past due 1 to 30 days	13,392,747,256	15,058,558,138
Past due 31 days to 60 days	214,534,274	287,717,434
Past due 61 days to 90 days	574,491,413	630,000
Past due over 90 days	-	3,727,445,863
	<u>14,181,772,943</u>	<u>19,074,351,435</u>

**35 FINANCIAL RISK MANAGEMENT (continued)****(b) Credit risk (continued)***(ii) Financial assets that are past due and/or impaired (continued)*

The carrying amount of trade and other receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

	<b>As at 31 December</b>	
	<b>2012</b>	<b>2011</b>
	<b>VND</b>	<b>VND</b>
<b>Carrying amount</b>		
Gross amount	7,427,162,147	3,582,467,962
Less: Allowance for impairment	(3,852,583,886)	(1,918,007,430)
	<u>3,574,578,261</u>	<u>1,664,460,532</u>
<b>Allowance for impairment</b>		
Beginning of financial year	1,918,007,430	596,556,111
Allowance made	1,972,328,394	1,833,346,777
Written-off	(37,751,938)	(511,895,458)
	<u>3,852,583,886</u>	<u>1,918,007,430</u>

**(c) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and medium term. The Group's holdings of cash, together with net cash flows from operations, are expected to be sufficient to cover the Group's liabilities due in the next financial year.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>
	<b>VND</b>	<b>VND</b>
<b>As at 31 December 2012</b>		
Trade and other liabilities	<u>3,383,050,344,921</u>	<u>-</u>
<b>As at 31 December 2011</b>		
Trade and other liabilities	<u>2,195,856,347,192</u>	<u>92,000,000,000</u>

## 35 FINANCIAL RISK MANAGEMENT (continued)

## (d) Fair value measurements

The carrying value less provision of trade receivables, deposits and trade and other payables approximate to their fair values.

Below are the fair values of short-term and long-term investments:

	Book value VND	Compared to market value		Market value VND	Provision VND
		Increase VND	Decrease VND		
<b>As at 31 December 2012</b>					
<b>Short-term investments</b>					
Listed equity securities	211,020,970,112	14,318,490,708	(61,470,408,420)	163,869,052,400	(61,470,408,420)
Unlisted equity securities	82,283,660,000	-	(68,558,267,200)	13,725,392,800	(68,558,267,200)
<b>Other long-term investments</b>					
Investment funds	30,540,000,000	-	(14,355,884,467)	16,184,115,533	(14,355,884,467)
	<u>323,844,630,112</u>	<u>14,318,490,708</u>	<u>(144,384,560,087)</u>	<u>193,778,560,733</u>	<u>(144,384,560,087)</u>

## 35 FINANCIAL RISK MANAGEMENT (continued)

## (d) Fair value measurements (continued)

	Book value VND	Compared to market value		Market value VND	Provision VND
		Increase VND	Decrease VND		
<b>As at 31 December 2011</b>					
<b>Short-term investments</b>					
Listed equity securities	24,993,771,792	11,762,802,708	(10,685,976,400)	26,070,598,100	(10,685,976,400)
Unlisted equity securities	82,283,660,000	-	(68,558,267,200)	13,725,392,800	(68,558,267,200)
<b>Other long-term investments</b>					
Listed equity securities	206,996,073,800	5,973,328,500	(96,442,805,500)	116,526,596,800	(96,442,805,500)
Investment funds	106,350,000,000	-	(45,907,987,129)	60,442,012,871	(45,907,987,129)
	<u>420,623,505,592</u>	<u>17,736,131,208</u>	<u>(221,595,036,229)</u>	<u>216,764,600,571</u>	<u>(221,595,036,229)</u>

Market value of equity securities listed on the Ho Chi Minh Stock Exchange is based on the closing prices of the last official trading date of the year at the Ho Chi Minh Stock Exchange.

Market value of unlisted equity securities is based on the average of trading prices provided by 3 securities companies.

Market value of investment funds is based on Net Asset Value of funds portfolio which is verified by the appointed securities company and supervising bank.

36 COMPARATIVE FIGURES

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

The consolidated financial statements were approved by the Board of Directors on 28 February 2013.



Le Thanh Liem  
Chief Accountant

Ngo Thi Thu Trang  
Executive Director - Finance

Mai Kieu Lien  
Chief Executive Officer