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CORPORATE INFORMATION

Registration Certificate	Registration Certificate No. 4103001932 dated 20 November 2003 issued by the Planning and Investment Department of Ho Chi Minh City.	
Board of Management	Ms Mai Kieu Lien	Chairwoman
	Mr Hoang Nguyen Hoc	Member
	Ms Ngo Thi Thu Trang	Member
	Mr Dominic Scriven	Member
	Mr Huang Hong Peng	Member (until 31 March 2007)
	Mr Wang Eng Chin	Member (from 31 March 2007)
Board of Directors	Ms Mai Kieu Lien	General Director
	Ms Nguyen Thi Thanh Hoa	Deputy General Director
	Ms Ngo Thi Thu Trang	Deputy General Director
	Mr Tran Bao Minh	Deputy General Director
	Mr Tran Minh Van	Deputy General Director
	Ms Nguyen Thi Nhu Hang	Deputy General Director
Registered Office	184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City.	
Auditors	PricewaterhouseCoopers (Vietnam) Limited	

STATEMENT OF THE RESPONSIBILITY

OF THE BOARD OF DIRECTORS IN RESPECT OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

The Board of Directors is responsible for the 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 and company financial positions as at 31 December 2007 and of the consolidated and company results of operations and cash flows for the year then ended. In preparing these 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 and company financial statements on a going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue in business.

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

APPROVAL OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated and company financial statements set out on pages 5 to 43 which give a true and fair view of the consolidated and company financial positions as at 31 December 2007 and of the consolidated and company results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.

On behalf of the Board of Directors



Mai Kieu Lien
General Director

Ho Chi Minh City, SR Vietnam
10 March 2008

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

We have audited the accompanying consolidated and company financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated and company balance sheets as at 31 December 2007, the consolidated and company income statements and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated and Company Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing and International 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 and company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the 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 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 management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Opinion

In our opinion, the consolidated and company financial statements give a true and fair view, in all material respects, of the financial positions of the Group and of the Company as at 31 December 2007, and of the consolidated and company financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.



Ian S. Lydall
AC No. N.0559/KTV
Authorised signatory



Quach Thanh Chau
AC No. N.0875/KTV

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM1980
10 March 2008

As indicated in Note 2.1 to the financial statements, the accompanying consolidated and company 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, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

Code	ASSETS	Note	<u>Consolidated</u>		<u>Company</u>	
			2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
100	CURRENT ASSETS		3,172,434	1,996,391	3,191,888	1,996,391
110	Cash and cash equivalents	3	117,819	156,895	113,527	156,895
111	Cash		117,519	156,195	113,227	156,195
112	Cash equivalents		300	700	300	700
120	Short-term investments	4(a)	654,485	306,730	654,485	306,730
121	Short-term investments		654,660	308,430	654,660	308,430
129	Provision for diminution in value of short-term investments		(175)	(1,700)	(175)	(1,700)
130	Accounts receivable		654,720	511,623	689,339	511,623
131	Trade accounts receivable		505,234	393,898	511,772	393,898
132	Prepayments to suppliers		79,847	83,172	79,804	83,172
135	Other receivables	5	70,390	37,218	98,514	37,218
139	Provision for doubtful debts		(751)	(2,665)	(751)	(2,665)
140	Inventories	6	1,669,871	965,826	1,659,390	965,826
141	Inventories		1,681,500	980,367	1,671,019	980,367
149	Provision for decline in value of inventories		(11,629)	(14,541)	(11,629)	(14,541)
150	Other current assets		75,539	55,317	75,147	55,317
151	Short-term prepayments		14,282	22,673	13,943	22,673
152	VAT to be reclaimed		33,401	7,253	33,401	7,253
154	Other taxes receivable	7	23,808	24,403	23,808	24,403
158	Other current assets		4,048	988	3,995	988

The notes on pages 12 to 43 are an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006 (continued)

Code	ASSETS (continued)	Note	<u>Consolidated</u>		<u>Company</u>	
			2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
200	LONG-TERM ASSETS		2,252,683	1,604,142	2,169,156	1,604,142
210	Long-term receivables		762	860	762	860
218	Other long-term receivables		762	860	762	860
220	Fixed assets		1,646,962	1,071,980	1,518,899	1,071,980
221	Tangible fixed assets	8(a)	1,022,646	746,661	899,877	746,661
222	Cost		1,963,835	1,573,283	1,831,384	1,573,283
223	Accumulated depreciation		(941,189)	(826,622)	(931,507)	(826,622)
227	Intangible fixed assets	8(b)	20,715	9,141	20,715	9,141
228	Cost		38,771	21,504	38,771	21,504
229	Accumulated amortisation		(18,056)	(12,363)	(18,056)	(12,363)
230	Construction in progress	8(c)	603,601	316,178	598,307	316,178
250	Long-term investments		401,018	413,901	445,554	413,901
251	Investments in subsidiaries	4(b)	-	-	99,894	-
252	Investments in joint ventures and associates	4(c)	76,132	122,701	115,540	131,571
258	Other long-term investments	4(d)	324,886	291,200	273,738	291,200
259	Provision for diminution in value of long-term investments		-	-	(43,618)	(8,870)
260	Other long-term assets		203,941	117,401	203,941	117,401
261	Long-term prepayments	9	195,613	117,296	195,613	117,296
262	Deferred income tax assets	14	8,017	-	8,017	-
268	Other long-term assets		311	105	311	105
270	TOTAL ASSETS		5,425,117	3,600,533	5,361,044	3,600,533

The notes on pages 12 to 43 are an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006 (continued)

Code	RESOURCES	Note	<u>Consolidated</u>		<u>Company</u>	
			2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
300	LIABILITIES		1,073,230	862,150	1,045,107	862,150
310	Current liabilities		933,357	754,356	905,234	754,356
311	Current portion of long term loans	10	9,963	17,883	9,963	17,883
312	Trade accounts payable		621,376	436,869	617,302	436,869
313	Advances from customers		5,717	2,350	5,708	2,350
314	Taxes and other payables to the State Budget	11	35,331	33,589	35,228	33,589
315	Payable to employees		426	-	52	-
316	Accrued expenses	12	132,466	85,821	131,473	85,821
319	Other payables	13	128,078	177,844	105,508	177,844
330	Long-term liabilities		139,873	107,794	139,873	107,794
331	Long-term trade payables		81,002	41,235	81,002	41,235
333	Other long-term liabilities		-	2,700	-	2,700
334	Long-term borrowings	10	32,381	42,345	32,381	42,345
336	Provision for severance allowances		26,490	21,514	26,490	21,514
400	OWNERS' EQUITY		4,351,887	2,738,383	4,315,937	2,738,383
410	Capital and reserves		4,224,315	2,683,699	4,224,315	2,683,699
411	Paid-in capital	15	1,752,757	1,590,000	1,752,757	1,590,000
412	Share premium	16	1,064,948	54,217	1,064,948	54,217
417	Investment and development fund	16,17	744,540	580,103	744,540	580,103
418	Financial reserve fund	16,17	136,313	88,141	136,313	88,141
420	Undistributed earnings	16	525,757	371,238	525,757	371,238
430	Budget sources and other funds		91,622	54,684	91,622	54,684
431	Bonus and welfare fund	16,17	91,622	54,684	91,622	54,684
500	Minority interest	2.4	35,950	-	-	-
440	TOTAL RESOURCES		5,425,117	3,600,533	5,361,044	3,600,533

The notes on pages 12 to 43 are an integral part of these financial statements.

OFF BALANCE SHEET ITEMS

AS AT 31 DECEMBER 2007 AND 2006

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
Goods held under trust or for processing (Million VND)	4,851	4,602	4,581	4,602
Bad debts written-off (Million VND)	18,508	239	18,508	239
Foreign currencies:				
US\$	315,236	3,239,052	315,236	3,239,052
EUR	33,257	4,771	33,257	4,771



Le Thanh Liem
Chief Accountant

Mai Kieu Lien
General Director
10 March 2008

The notes on pages 12 to 43 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Indirect method)

Code		<u>Consolidated</u>		<u>Company</u>	
		2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
	CASH FLOWS FROM OPERATING ACTIVITIES				
01	Net profit before tax	955,381	662,774	955,431	662,774
	Adjustments for:				
02	Depreciation and amortisation	130,772	101,222	120,918	101,222
03	Provisions	42,696	14,707	46,907	14,707
04	Unrealised foreign exchange (gains)/losses	(17)	2,250	(17)	2,250
05	Profits from investing activities	(101,361)	(54,835)	(102,144)	(54,835)
06	Interest expense	11,667	43,591	11,667	43,591
08	Operating profit before changes in working capital	1,039,138	769,709	1,032,762	769,709
09	(Increase)/Decrease in receivables	(216,909)	203,081	(216,777)	203,081
10	(Increase)/Decrease in inventories	(725,346)	125,446	(714,964)	125,446
11	Increase/(Decrease) in payables	411,751	(526,918)	377,195	(526,918)
12	(Increase)/Decrease in prepaid expenses	(69,830)	4,019	(69,588)	4,019
13	Interest paid	(50,571)	(21,192)	(50,571)	(21,192)
15	Other receipts from operating activities	78,502	51,140	81,924	51,140
16	Other payments on operating activities	(153,257)	(105,814)	(153,194)	(105,814)
20	Net cash inflows from operating activities	313,478	499,471	286,787	499,471
	CASH FLOWS FROM INVESTING ACTIVITIES				
21	Purchases of fixed assets	(743,965)	(609,510)	(662,142)	(609,510)
22	Proceeds from disposals of fixed assets	2,305	-	1,364	-
23	Purchases of equity securities	(487,475)	(278,503)	(435,877)	(278,503)
24	Proceeds from sales of equity securities	77,964	72,500	77,964	72,500
25	Loan granted to joint venture/subsidiary	(80,926)	(138,267)	(109,057)	(138,267)
26	Decrease in deposits at banks	115,443	404,882	114,993	404,882
27	Investments in other entities	(4,650)	(129,440)	(50,150)	(129,440)
28	Proceeds from divestments in other entities	-	22,460	-	22,460
29	Dividends received	105,326	66,475	105,326	66,475
30	Net cash outflows from investing activities	(1,015,978)	(589,403)	(957,579)	(589,403)

The notes on pages 12 to 43 are an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Indirect method) (continued)

Code	Note	Consolidated		Company	
		2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES					
31	Proceeds from issuance of shares	1,219,477	-	1,183,477	-
33	Proceeds from borrowings	360,000	1,051,565	360,000	1,051,565
34	Repayments of borrowings	(377,883)	(1,014,011)	(377,883)	(1,014,011)
36	Dividends paid	(538,181)	(290,974)	(538,181)	(290,974)
40	Net cash inflows/(outflows) from financing activities	663,413	(253,420)	627,413	(253,420)
50	Net decrease in cash and cash equivalents	(39,087)	(343,352)	(43,379)	(343,352)
60	Cash and cash equivalents at beginning of year	3	156,895	500,312	156,895
61	Foreign exchange gain/(loss) on cash and cash equivalents		11	(65)	11
70	Cash and cash equivalents at end of year	3	117,819	156,895	113,527

Le Thanh Liem
Chief Accountant

Mai Kieu Lien
General Director
10 March 2008



NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 in accordance with Decision No. 420/CNN/TCLD dated 29 April 1993. On 1 October 2003, it was equitised following Decision No. 155/2003/QĐ-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 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.

As at 31 December 2007, the Company has 3 subsidiaries.

The principal activities of the Company and its subsidiaries are:

- Manufacture and distribute bottled milk, powdered milk, nutritious powder, milk cake, fresh milk, soya milk, refreshment drinks and other products from milk;
- Trading in food technology, spare parts, equipment, materials and chemicals;
- Real estate investment business, real estate management;
- Warehousing and transportation services;
- 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; and
- Cattle raising and agricultural operations.

As at 31 December 2007, the total number of employees of the Company and the Group are 3,868 and 4,106, respectively (2006: 3,981 employees).

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated and company financial statements

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

The accompanying consolidated and company 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.2 Use of estimates

The preparation of consolidated and company financial statements in conformity with Vietnamese Accounting Standards requires management 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 in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

2.3 Fiscal year

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

2.4 Consolidation

In 2007, the Company prepared its consolidated financial statements for the first time 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.4 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.

2.5 Currency

The consolidated and company financial statements are measured and presented in millions of 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 Vietnam inter-bank 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 Company and its subsidiaries use voucher ledgers to record their 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.8 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 Company or its subsidiaries purchase the Company's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Company'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 Company's equity holders.

The Company is required to hold certain shares as decreed by the State for the purpose of allocating them to employees of the Company. These shares are held in custody by the Company on behalf of the employees until final allocation to and receipt of payment from the employees. The Company does not have jurisdiction to own and cancel these shares. These shares have been recorded as part of issued share capital.

2.9 Trade receivables

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

2.10 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.

2.11 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 of the balance sheet date. Short-term investments are accounted for at cost.

(b) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the parent entity financial statements.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.11 Investments (continued)

(c) *Investments in joint ventures and associates*

Investments in joint ventures and associates are accounted for at cost in the parent entity financial statements, and under equity method of accounting in the consolidated financial statements.

(d) *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 of the balance sheet date. Investments in bonds are accounted for at cost.
- (iii) Other long-term investments comprise holdings in listed and unlisted entities, and are classified as long-term when they are held with no intention to dispose within 12 months of the balance sheet date. Other long-term investments are accounted for at cost.

2.12 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, as follows:

	Years
Buildings and structures	10 - 50
Machinery and equipment	10
Livestock	6
Motor vehicles	10
Office equipment	3 - 8
Software	2 - 3

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

Livestock development costs are capitalised until the livestock reaches maturity, and then transferred to tangible fixed assets and depreciated using the aforementioned useful life.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.12 Fixed assets (continued)

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.

2.13 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 a straight-line basis over the period of the lease.

2.14 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.

2.15 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) *Processing services*

Revenue from processing services is recognised in the income statement when the goods have been processed and accepted. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(c) *Sales of services*

Revenue from the sales 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.

(d) *Interest income*

Interest income is recognised on an earned basis.

(e) *Dividend income*

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.16 Deferred income tax

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 accounting nor 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 substantially enacted by the balance sheet date.

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

Deferred income tax assets relating to tax loss carry-forwards are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

2.17 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.

Dividends payable on shares held in custody by the Company are allocated to the bonus and welfare fund.

2.18 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	5% of profit after tax

Utilisation of the above reserve funds requires approval of either the General Director, the Board of Management or the shareholders depending on the nature and magnitude of the transactions involved as stated in the Company's Charter and financial regulations.

2.19 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.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.19 Related parties (continued)

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.

2.20 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

2.21 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group 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 Group. A provision for severance allowances is made for the estimated liability for employment termination as a result of services rendered by employees up to the balance sheet date.

Prior to 2007, the Company's provision for severance allowance was calculated by application of Decree No. 39/2003/ND-CP dated 18 April 2003 and Circular 82/2003/TT-BTC dated 14 August 2003, following which provision was made at 3% of the total basic salary used in social insurance calculation for the year. In 2007, the Group has estimated the provision on the basis of a half-month's salary for each employee for each year of service with the Group, based on salary levels at the balance sheet date.

2.22 Segmental reporting

The Group identifies its operating segments based on geographical locations where the risks and returns are different in each of the economic environments. For all periods presented, the Group operated in two segments: domestic market and export market.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.23 Restatements and reclassifications

During the preparation of the consolidated financial statements for the year ended 31 December 2007, the Company implemented certain changes to its accounting policies relating to the preparation of consolidated financial statements. The Company has retrospectively adopted these policy changes by restating previously issued financial statements.

(a) *Equity accounting for interest in joint ventures*

Prior to 2007, the Company was not required to prepare consolidated financial statements and therefore investments in joint-ventures were carried at cost. Beginning 1 January 2007, the Company is required to prepare consolidated financial statements and therefore to account for its investments in joint-ventures using the equity method as required by VAS 08 – Financial Reporting of Interests in Joint Ventures. For comparability purposes, investments in joint-ventures as at 31 December 2006 have been restated to reflect the same basis adopted in 2007.

The effect of adopting these accounting policies on the balance sheet as at 31 December 2006 is:

	2006 Million VND
Decrease in investments in joint ventures and associates	(8,870)
Decrease in retained earnings	(8,870)

The effect of adopting these accounting policies on the income statement for the year ended 31 December 2006 is:

	2006 Million VND
Decrease in financial expenses	(13,174)
Increase in share of loss of joint ventures	8,870

(b) *Change in accounting policy on accruals and provisions*

Prior to 2007, the Company followed the State's accounting regulations and practices in recognising certain liabilities. In 2007, the Company took a comprehensive review of its accounting policies in these areas and decided to amend those policies to be more in line with VAS 18 – Provisions, Contingent Assets and Liabilities in respect of recognising liabilities for employee salaries and distributors' bonus and certain other provisions. The retrospective application of this change in policy reduces payable to employees and increases retained earnings as at 1 January 2006 by VND123,718 million.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.23 Restatements and reclassifications (continued)

(b) *Change in accounting policy on accruals and provisions (continued)*

The effect of adopting these accounting policies on the balance sheet as at 31 December 2006 is:

	2006 Million VND
Decrease in payable to employees – short-term	(30,118)
Decrease in accrued expenses – short-term	(40,000)
Increase in retained earnings	70,118

The effect of adopting these accounting policies on the income statement for the year ended 31 December 2006 is:

	2006 Million VND
Decrease in selling expenses	(40,000)
Decrease in other income	(93,600)

(c) *Change in accounting policy on provision for severance allowances*

The Company's provision for severance allowances was historically calculated by application of Decree No. 39/2003/ND-CP dated 18 April 2003 and Circular 82/2003/TT-BTC dated 14 August 2003, following which provision was made at 3% of the total basic salary used in social insurance calculation for the year. In 2007, the Company made a decision to amend its accounting policy to better reflect severance liabilities to employees in accordance with the Vietnamese Labour Law, which requires that severance allowances are paid, as a lump sum when the employee leaves the Company, on the basis of a half-month's salary for each employee for each year of service with the Company. The retrospective application of this change in policy increases provision for severance allowances and decreases retained earnings as at 1 January 2006 by VND18,654 million.

The effect of adopting these accounting policies on the balance sheet as at 31 December 2006 is:

	2006 Million VND
Increase in provision for severance allowances – long-term	18,654
Decrease in retained earnings	(18,654)

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.23 Restatements and reclassifications (continued)

(d) Interest payable to the State

In 2007, pursuant to Decision No. 866/TTCP issued by the Government, the Company was required to pay to the State an interest charge of VND38,949 million (VND16,550 million for 2005 and VND22,399 million for 2006) relating to the remittance of the proceeds from initial public offerings and dividends attributable to the State prior to 2007. The Company has restated the 2005 and 2006 balance of Payable to the State to reflect the above interest payable. The restatement had the effect of reducing the opening retained earnings at 1 January 2006 and increasing other payables by VND16,550 million.

The effect on the balance sheet as at 31 December 2006 is:

	2006 Million VND
Increase in other payables	38,949
Decrease in retained earnings	(38,949)

The effect on the income statement for the year ended 31 December 2006 is:

	2006 Million VND
Increase in financial expenses	22,399

(e) Reclassifications

Certain items in the previous year's income statement have been reclassified to be consistent with the corresponding amounts shown in the 2007 financial statements. These reclassifications do not result in any change to the net income for the year ended 31 December 2006.

The effect on the income statement for the year ended 31 December 2006 is:

(i) a reclassification of sales of assets and the related cost of sales to net other income:

	2006 Million VND
Decrease in net sales	(334,518)
Decrease in cost of sales	(334,518)
Net other income	-

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.23 Restatements and reclassifications (continued)

(e) Reclassifications (continued)

- (ii) a reclassification of sales of scraps as other income:

	2006 Million VND
Decrease in net sales	(38,965)
Increase in net other income	38,965

The restatements and reclassifications noted above did not result in any significant change of the tax provision. The impact of these restatements and reclassifications on selected line items of the prior year financial statements is presented below.

Selected company income statement data:

	Year ended 31 December 2006		
	As previously reported Million VND	Adjustment Million VND	Restated Million VND
Net sales	6,619,102	(373,483)	6,245,619
Cost of sales	(5,012,632)	334,518	(4,678,114)
Gross profit	1,606,470	(38,965)	1,567,505
Financial income	74,253	-	74,253
Financial expenses	(40,002)	(18,095)	(58,097)
Selling expenses	(899,396)	40,000	(859,396)
General and administration expenses	(112,888)	-	(112,888)
Operating profit	628,437	(17,060)	611,377
Net other income	106,032	(54,635)	51,397
Net accounting profit before tax	734,469	(71,695)	662,774
Business income tax	(2,884)	-	(2,884)
Net profit after tax	731,585	(71,695)	659,890
	VND	VND	VND
Earnings per share	4,601	(451)	4,150

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.23 Restatements and reclassifications (continued)

(e) Reclassifications (continued)

Selected company balance sheet data

	As at 31 December 2006		
	As previously reported Million VND	Adjustment Million VND	Restated Million VND
Provisions for long-term investments	-	(8,870)	(8,870)
Long term assets	1,613,012	(8,870)	1,604,142
Total assets	3,609,403	(8,870)	3,600,533
Payable to employees	30,118	(30,118)	-
Accrued expenses	125,821	(40,000)	85,821
Other payables	138,895	38,949	177,844
Current liabilities	785,525	(31,169)	754,356
Provision for severance allowances	2,860	18,654	21,514
Long term liabilities	89,140	18,654	107,794
Investment and development fund	590,245	(10,142)	580,103
Financial reserve fund	93,211	(5,070)	88,141
Bonus and welfare fund	64,826	(10,142)	54,684
Undistributed earnings	342,239	28,999	371,238
Total shareholders' equity	2,734,738	3,645	2,738,383

3 CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
Cash on hand	1,065	1,456	1,050	1,456
Cash at bank	109,560	143,870	105,283	143,870
Cash in transit	6,894	10,869	6,894	10,869
Short-term bank deposits	300	700	300	700
	<u>117,819</u>	<u>156,895</u>	<u>113,527</u>	<u>156,895</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4 INVESTMENTS

(a) Short-term investments

		<u>Consolidated</u>		<u>Company</u>	
		2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
Short-term deposits		5,400	-	5,400	-
Investments in equity securities	(i)	436,453	191,959	436,453	191,959
Bonds		15,410	-	15,410	-
Loans to a joint venture	(ii)	197,397	116,471	197,397	116,471
Provision for diminution in value of short-term investments	(iii)	(175)	(1,700)	(175)	(1,700)
		<u>654,485</u>	<u>306,730</u>	<u>654,485</u>	<u>306,730</u>

- (i) Investments in equity securities comprise shares of listed and unlisted companies and investment funds. Included in the balance as at 31 December 2007 and 31 December 2006 is VND60,184 million relating to the value of shares in a listed company that the Company had agreed to transfer to a third party. However, the transfer procedures had not been completed as at 31 December 2007 and, therefore, the legal ownership remained with the Company as at that date. The Company had received, in advance, a payment of VND60,786 million from the third party as purchase consideration for the shares and the Company had recorded this amount as a payable until the legal ownership has been transferred (see Note13(b)).

Movements in short-term investments in equity securities:

	<u>Consolidated</u>		<u>Company</u>	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
Opening balance	191,959	-	191,959	-
Purchases	319,985	107,684	319,985	107,684
Share dividends	1,075	-	1,075	-
Reclassification from long-term investments	-	84,275	-	84,275
Disposal	(76,566)	-	(76,566)	-
	<u>436,453</u>	<u>191,959</u>	<u>436,453</u>	<u>191,959</u>

- (ii) As per the joint venture contract signed with SABMiller Asia, the Company has a commitment to provide an interest free loan of US\$15.75 million to SABMiller Vietnam Joint Venture Company ("SABMiller"). In 2006, the Company granted SABMiller an interest free loan of US\$7.25 million (equivalent to VND116,471 million) repayable within 12 months. The loan was extended by the Company until 21 December 2008. In 2007, an additional loan of US\$5 million (equivalent to VND80,926 million) was granted to SABMiller with the same terms as above.
- (iii) Provision for diminution in value of short term investments is made to reflect the reduction in market prices of the related shares as at the balance sheet dates.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4 INVESTMENTS (continued)

(b) Investments in subsidiaries

	<u>Cost of investment recorded in parent entity</u>		<u>Equity held by parent entity</u>	
	2007 Million VND	2006 Million VND	2007 %	2006 %
Vietnam Cow Milk One Member Limited Company	55,894	-	100	100
Lam Son Milk Joint Stock Company	44,000	-	55	-
International Real Estate One Member Limited Company	-	-	100	100
	99,894	-		
Provision for diminution in value of investments in subsidiaries	(4,210)	-		
	95,684	-		

(c) Investments in joint ventures and associates

	<u>Consolidated</u>	
	2007 Million VND	2006 Million VND
Opening balance	122,701	4,900
Additions in investments	2,593	126,671
Shares of losses of joint ventures	(30,538)	(8,870)
Disposal of interest in a joint venture	(18,624)	-
Closing balance	76,132	122,701

The joint ventures, all of which are unlisted, are as follows:

		<u>Consolidated</u>		<u>Company</u>	
		2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
					(Restated)
SABMiller Vietnam Joint Venture Company	(i)	68,639	99,177	108,047	108,047
Campina Joint Venture Company	(ii)	-	18,624	-	18,624
Horizon Apartment – Business Cooperation Contract	(iii)	7,493	4,900	7,493	4,900
		76,132	122,701	115,540	131,571
Provision for diminution in value of investments in joint ventures		-	-	(39,408)	(8,870)
		76,132	122,701	76,132	122,701

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4 INVESTMENTS (continued)

(c) Investments in joint ventures and associates (continued)

(i) SABMiller Vietnam Joint Venture Company ("SABMiller")

The Company has a 50% interest in SABMiller, which produces beer products. SABMiller has registered legal capital of US\$13.5 million. As at 31 December 2007, the Company has invested US\$6.75 million, equivalent to VND108,047 million.

(ii) Campina Joint Venture Company ("Campina")

The Company had a 50% interest in Campina, a producer of dairy products. The total investment in Campina amounted to VND31,798 million during 2005 and 2006 with the conversion of VND13,124 million loan to legal capital contribution in Campina plus an additional capital contribution of VND7,969 million made by the Company to Campina in 2006.

In January 2007, the Company agreed with its joint venture partner in Campina whereby the Company would sell its 50% shareholding for an amount of VND18,624 million. As at 31 December 2007, the amount has been reclassified to other receivables (see Note 5).

(iii) Horizon Apartment – Business Cooperation Contract

On 7 June 2004, the Company entered into a Business Cooperation Contract with FICO Real Estate Company and Real Estate Finance Joint-Stock Company for the construction, management, marketing and operation of the Horizon Apartment Project with an estimated investment capital of VND285,000 million. The Company has a 24.5% financial interest in this project.

(d) Other long-term investments

		<u>Consolidated</u>		<u>Company</u>	
		2007	2006	2007	2006
		Million	Million	Million	Million
		VND	VND	VND	VND
Long-term bank deposits	(i)	50,000	170,000	50,000	170,000
Bonds	(ii)	5,645	11,050	5,645	11,050
Other long-term investments	(iii)	269,241	110,150	218,093	110,150
		324,886	291,200	273,738	291,200

(i) Long-term bank deposits represent bank deposits with original maturity of over three months and maturing after one year from the balance sheet date.

(ii) Bonds represent purchases of Government bonds and listed company bonds maturing within 3 to 5 years from the balance sheet date. Coupon rates range from 8% to 9.5% per annum.

(iii) Other long-term investments comprise shareholdings in listed and unlisted companies and investment funds. These investments are held not for sale in the near future.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4 INVESTMENTS (continued)

(d) Other long-term investments (continued)

Movements in other long-term investments:

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Opening balance	110,150	49,300	110,150	49,300
Purchases	159,091	167,585	107,943	167,585
Reclassification to short-term investments	-	(84,275)	-	(84,275)
Disposals	-	(22,460)	-	(22,460)
	269,241	110,150	218,093	110,150

5 OTHER RECEIVABLES

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Advance for purchase of Company's shares	24,322	21,354	15,585	12,617
Receivable from disposal of interest in a joint venture (Note 4(c)(ii))	18,624	-	18,624	-
Loan to a subsidiary (*)	-	-	28,131	-
Interest income	8,577	1,267	8,577	1,267
Other receivables	18,867	14,597	27,597	23,334
	70,390	37,218	98,514	37,218

(*) Loan to Lam Son Milk Joint Stock Company, one of the Company's subsidiaries, is interest free and repayable within 12 months from 10 October 2007.

6 INVENTORIES

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Goods in transit	357,960	75,331	357,960	75,331
Raw materials	1,013,210	720,496	1,006,596	720,496
Tools	2,174	12,946	1,411	12,946
Merchandise	7,967	4,418	7,967	4,418
Work-in-progress	81,530	-	80,275	-
Finished goods	218,659	167,176	216,810	167,176
Provision for decline in value of inventories	(11,629)	(14,541)	(11,629)	(14,541)
	1,669,871	965,826	1,659,390	965,826

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

7 OTHER TAXES RECEIVABLE

	<u>Consolidated</u>		<u>Company</u>	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
Business income tax to be reclaimed (Note 13(a))	23,808	23,808	23,808	23,808
Others	-	595	-	595
	<u>23,808</u>	<u>24,403</u>	<u>23,808</u>	<u>24,403</u>

8 FIXED ASSETS

(a) Tangible fixed assets

Consolidated	Buildings and structures Million VND	Machinery and equipment Million VND	Livestock Million VND	Motor vehicles Million VND	Office equipment Million VND	Total Million VND
Historical cost						
At 1 January 2007	247,406	1,111,132	-	120,132	94,613	1,573,283
New purchases	23,969	55,866	8,451	36,645	5,644	130,575
Transfers in (Note 8(c))	73,950	204,303	10,515	2,674	335	291,777
Reclassifications	(6)	20,425	-	1,179	(21,598)	-
Transferred to intangible fixed assets	-	-	-	-	(4,631)	(4,631)
Disposals	-	(23,256)	(1,819)	(1,273)	(821)	(27,169)
At 31 December 2007	<u>345,319</u>	<u>1,368,470</u>	<u>17,147</u>	<u>159,357</u>	<u>73,542</u>	<u>1,963,835</u>
Accumulated depreciation						
At 1 January 2007	105,232	621,212	-	71,722	28,456	826,622
Charge for the year	24,422	73,588	2,728	9,026	15,849	125,613
Reclassifications	28	(138)	-	37	73	-
Disposals	-	(9,655)	(173)	(678)	(7)	(10,513)
Transferred to intangible fixed assets	-	-	-	-	(533)	(533)
At 31 December 2007	<u>129,682</u>	<u>685,007</u>	<u>2,555</u>	<u>80,107</u>	<u>43,838</u>	<u>941,189</u>
Net book value						
At 1 January 2007	<u>142,174</u>	<u>489,920</u>	<u>-</u>	<u>48,410</u>	<u>66,157</u>	<u>746,661</u>
At 31 December 2007	<u>215,637</u>	<u>683,463</u>	<u>14,592</u>	<u>79,250</u>	<u>29,703</u>	<u>1,022,646</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

8 FIXED ASSETS (continued)

(a) Tangible fixed assets (continued)

Company	Buildings and structures Million VND	Machinery and equipment Million VND	Motor vehicles Million VND	Office equipment Million VND	Total Million VND
Historical cost					
At 1 January 2007	247,406	1,111,132	120,132	94,613	1,573,283
New purchases	-	9,602	32,885	4,910	47,397
Transfers in (Note 8(c))	49,720	190,629	-	319	240,668
Reclassifications	(6)	20,425	1,179	(21,598)	-
Disposals	-	(23,257)	(1,273)	(803)	(25,333)
Transferred to intangible fixed assets	-	-	-	(4,631)	(4,631)
At 31 December 2007	297,120	1,308,531	152,923	72,810	1,831,384
Accumulated depreciation					
At 1 January 2007	105,232	621,212	71,722	28,456	826,622
Charge for the year	21,290	70,179	8,525	15,764	115,758
Reclassifications	28	(138)	37	73	-
Disposals	-	(9,655)	(678)	(540)	(10,873)
At 31 December 2007	126,550	681,598	79,606	43,573	931,507
Net book value					
At 1 January 2007	142,174	489,920	48,410	66,157	746,661
At 31 December 2007	170,570	626,933	73,317	29,057	899,877

As at 31 December 2007, fixed assets with a carrying value of VND86,722 million (2006: VND43,970 million) have been pledged as security for long-term borrowings granted to the Company (Note 10).

Historical costs of fully depreciated fixed assets as at 31 December 2007 were VND592,159 million (2006: VND528,080 million).

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

8 FIXED ASSETS (continued)

(b) Intangible fixed assets

Consolidated and Company	Land use rights Million VND	Software Million VND	Total Million VND
Historical cost			
At 1 January 2007	19,900	1,604	21,504
New purchases	-	2,002	2,002
Transferred from tangible fixed assets	-	4,631	4,631
Transfers in (Note 8(c))	-	10,634	10,634
At 31 December 2007	19,900	18,871	38,771
Accumulated amortisation			
At 1 January 2007	11,608	755	12,363
Charge for the year	-	5,160	5,160
Transferred from tangible fixed assets	-	533	533
At 31 December 2007	11,608	6,448	18,056
Net book value			
At 1 January 2007	8,292	849	9,141
At 31 December 2007	8,292	12,423	20,715

The amortisation of land use rights ceased from 1 January 2004 following the Decision No. 206/2003/QĐ-BTC issued by the Ministry of Finance dated 12 December 2003 which regulated that land use rights granted for indefinite term are carried at cost and not amortised.

(c) Construction in progress and livestock development

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million VND	Million VND	Million VND	Million VND
Opening balance	316,178	189,319	316,178	189,319
Additions	656,276	659,396	650,982	659,396
Transferred to tangible fixed assets	(291,777)	(212,693)	(240,668)	(212,693)
Transferred to intangible fixed assets	(10,634)	-	(10,634)	-
Transferred to investment in subsidiaries (*)	-	-	(51,109)	-
Transferred to inventory	(2,908)	-	(2,908)	-
Disposals	(57,182)	(310,817)	(57,182)	(310,817)
Write-offs	(6,352)	(9,027)	(6,352)	(9,027)
Closing balance	603,601	316,178	598,307	316,178

(*) During the year, the Company made capital contribution to Vietnam Cow Milk One Member Limited Company in form of fixed assets.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

8 FIXED ASSETS (continued)

(c) Construction in progress and livestock development (continued)

Included in the balance at 31 December 2007 are livestock developments of VND4,236 million. These costs are depreciated after the livestock reaches production maturity (usually 18 months).

As at 31 December 2007, included in construction in progress are the following major projects:

- (i) A coffee production line – VND153,453 million;
- (ii) A milk production line for Tien Son Factory – VND67,543 million;
- (iii) A yogurt production line for Tien Son Factory – VND55,403 million;
- (iv) A milk pouring machine for Flex – VND31,584 million;
- (v) A packing line for Slim – VND22,490 million;
- (vi) Second ERP system – VND21,896 million; and
- (vii) A condensed milk production line – VND20,424 million.

9 LONG-TERM PREPAYMENTS

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Opening balance	117,296	117,224	117,296	117,224
Additions	81,594	25,781	81,594	25,781
Amortisation for the year	-	(1,468)	-	(1,468)
Sale of assets to a joint venture	-	(21,934)	-	(21,934)
	198,890	119,603	198,890	119,603
Less: Current portion	(3,277)	(2,307)	(3,277)	(2,307)
Closing balance	195,613	117,296	195,613	117,296

Included in the balance is a land compensation cost of VND64,294 million relating to the land lease in My Phuoc Industrial Zone. The land compensation cost is amortised on a straight-line basis over the period of the lease which is from January 2005 to June 2052. Other long term prepayments are mainly related to prepaid land rentals.

10 LONG-TERM BORROWINGS

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Syndicated loans	42,344	59,817	42,344	59,817
Binh Dinh Investment and Development Fund	-	411	-	411
	42,344	60,228	42,344	60,228
Less: Current portion	(9,963)	(17,883)	(9,963)	(17,883)
Closing balance	32,381	42,345	32,381	42,345

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FOR THE YEAR ENDED 31 DECEMBER 2007

10 LONG-TERM BORROWINGS (continued)

The syndicated long-term loan was signed with Ho Chi Minh City Investment and Development Fund (40%) and Vietcombank Ho Chi Minh branch (60%) to finance the condensed milk packing production line at Thong Nhat factory. The loan is repayable on quarterly instalments and within 5 years commencing on 1 April 2007. The loan bears interest at the average interest rate of 12 month time deposit plus 2.4% per annum. Insurance contract for the assets purchased using this loan during the construction phase is used as security for the loan until the completion of the construction whereby the fixed assets themselves are to be used as security for the loan.

11 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	<u>Consolidated</u>		<u>Company</u>	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
VAT on domestic sales	4,350	11,694	4,247	11,694
VAT on importation	17,299	7,204	17,299	7,204
Import – Export duties	9,606	6,153	9,606	6,153
Personal income tax	3,876	6,859	3,876	6,859
Other taxes	200	1,679	200	1,679
	<u>35,331</u>	<u>33,589</u>	<u>35,228</u>	<u>33,589</u>

12 ACCRUED EXPENSES

	<u>Consolidated</u>		<u>Company</u>	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
Sales bonus for distributors	86,309	48,035	86,309	48,035
Advertising expenses	28,292	23,315	28,292	23,315
Transportation expenses	6,206	5,644	6,206	5,644
Exporting fees	2,548	4,056	2,548	4,056
Repairs and maintenance expenses	3,436	1,955	3,436	1,955
Others	5,675	2,816	4,682	2,816
	<u>132,466</u>	<u>85,821</u>	<u>131,473</u>	<u>85,821</u>

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

13 OTHER PAYABLES

		<u>Consolidated</u>		<u>Company</u>	
		2007	2006	2007	2006
		Million VND	Million VND	Million VND	Million VND
					(Restated)
Dividends payable		-	1,307	-	1,307
Payable to the State	(a)	24,205	102,916	24,205	102,916
Deposits received from customers		10,390	7,103	9,890	7,103
Other payables	(b)	93,483	66,518	71,413	66,518
		128,078	177,844	105,508	177,844

(a) Included in the balance is VND23,808 million related to an overpayment of business income tax for periods prior to equitisation (1 December 2003). The amount is to be refunded by the tax authority (see Note 7); however, the Company has an obligation to return this amount to the State once it receives the refund.

(b) Included in the balance as at 31 December 2007 and 31 December 2006 is an amount of VND60,786 million received from a third party for a sale of shares (see Note 4(a)(i)).

14 DEFERRED INCOME TAX

Deferred income tax asset:

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million VND	Million VND	Million VND	Million VND
Opening balance	-	2,884	-	2,884
Income statement credit/(charge)	8,017	(2,884)	8,017	(2,884)
Closing balance	8,017	-	8,017	-

Deferred income tax asset arises from accruals and is to be recovered within 12 months.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

15 STRUCTURE OF SHAREHOLDING

The following details the Company's shareholding structure:

	State		Local investors		Foreign investors		Total
	Number of shares (thousand)	Share- holding %	Number of shares (thousand)	Share- holding %	Number of shares (thousand)	Share- holding %	Number of shares (thousand)
At 1 January 2006	79,520	50.01	33,776	21.25	45,704	28.74	159,000
Net movement in the year	-		(17,040)		17,040		-
At 31 December 2006	79,520	50.01	16,736	10.53	62,744	39.46	159,000
Net movement in the year	3,911		(3,117)		15,481		16,275
At 31 December 2007	83,431	47.60	13,619	7.77	78,225	44.63	175,275

Nominal value per share is VND10,000.

In 2007, the Company approved and issued 16,725,670 shares. Of the total amount issued, 7,950,000 shares were issued to a branch of a foreign bank in Vietnam at the price of VND140,500 per share and the remaining 8,325,670 shares were issued to existing shareholders at par value. The new share issues were approved by the Company's Board of Management and the State Securities Commission.

Included in total shares held by local investors are 1,425,500 shares that the Company purchased from the State upon equitisation and planned to distribute them to the employees. These shares have not yet been allocated as at 31 December 2007.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

16 MOVEMENTS IN OWNERS' EQUITY

Consolidated and Company	Paid-in capital Million VND	Share premium Million VND	Investment and development fund Million VND		Financial reserve fund Million VND	Bonus and welfare fund Million VND	Budget sources Million VND	Undistributed earnings Million VND	Total Million VND
			Million VND	Million VND					
As at 1 January 2006	1,590,000	54,217	110,291		55,146	89,234	126	423,244	2,322,258
Profit for the year	-	-	-	-	-	-	-	659,890	659,890
Appropriations to reserves	-	-	469,812		32,995	65,989	-	(568,796)	-
Dividends declared	-	-	-	-	-	1,217	-	(143,100)	(141,883)
Movement of reserve funds in the year (Note 17)	-	-	-	-	-	(101,756)	(126)	-	(101,882)
As at 31 December 2006	1,590,000	54,217	580,103		88,141	54,684	-	371,238	2,738,383
Capital increase during the year	162,757	1,010,731	-	-	-	-	-	-	1,173,488
Profit for the year	-	-	-	-	-	-	-	963,448	963,448
Appropriations to reserves	-	-	164,437		48,172	96,345	-	(308,954)	-
Dividends declared	-	-	-	-	-	1,364	-	(499,975)	(498,611)
Movement of reserve funds in the year (Note 17)	-	-	-	-	-	(60,771)	-	-	(60,771)
As at 31 December 2007	1,752,757	1,064,948	744,540		136,313	91,622	-	525,757	4,315,937

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

17 MOVEMENTS IN RESERVE FUNDS

Consolidated and company	Investment and development fund Million VND	Financial reserve fund Million VND	Bonus and welfare fund Million VND
As at 1 December 2006	110,291	55,146	89,234
Appropriation of net profit after tax	469,812	32,995	65,989
Dividends related to unallocated shares for employees	-	-	1,217
Bonus paid to employees	-	-	(83,341)
Payments for employee welfare expenses	-	-	(8,017)
Others	-	-	(2,717)
Write-off of loans to employees	-	-	(7,681)
As at 31 December 2006	580,103	88,141	54,684
Appropriation of net profit after tax (*)	164,437	48,172	96,345
Dividends related to unallocated shares for employees (Note 18)	-	-	1,364
Bonus paid to employees	-	-	(60,771)
As at 31 December 2007	744,540	136,313	91,622

(*) Included in the amount appropriated to investment and development fund is VND120,828 million relating to estimated business income tax savings for the year 2007 as a result of tax exemption given to the Company upon equitisation. The estimated amount appropriated each year is subject to possible adjustment upon tax audits which confirm the final tax savings. According to Circular 499/TC/TCDN issued by the Ministry of Finance, the savings have to be used for the investment and the development of the Company. Accordingly, the amount is appropriated to the investment and development fund.

18 DIVIDENDS

During 2007, the Company declared and paid final dividends of year 2006 and interim dividends of year 2007 amounting to VND166,950 million and VND333,023 million (VND1,900 per share), respectively, of which VND1,364 million is related to dividends of the shares that the Company purchased on behalf of employees (Note 15). This amount is recorded as an increase in the bonus and welfare fund (see Note 17).

Dividends in respect of the year ended 31 December 2007 are to be proposed at the Company's Annual General Meeting in 2008.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

19 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006 (Restated)
Net profit attributable to shareholders (Million VND)	963,448	659,890	963,448	659,890
Weighted average number of ordinary shares in issue (in thousand)	171,838	159,000	171,838	159,000
Basic earnings per share (VND)	5,607	4,150	5,607	4,150

20 REVENUE

(a) Net sales

	<u>Consolidated</u>		<u>Company</u>	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND (Restated)
Sales				
Sales of goods	6,486,342	6,168,666	6,481,799	6,168,666
Sales of merchandise and materials	173,315	110,198	180,696	110,198
Sales of services	15,374	10,576	13,769	10,576
	6,675,031	6,289,440	6,676,264	6,289,440
Sales deductions				
Trade discounts	(21,679)	(9,426)	(21,679)	(9,426)
Sales returns	(5,159)	(34,395)	(5,159)	(34,395)
	(26,838)	(43,821)	(26,838)	(43,821)
	6,648,193	6,245,619	6,649,426	6,245,619

(b) Financial income

	<u>Consolidated</u>		<u>Company</u>	
	2007 Million VND	2006 Million VND	2007 Million VND	2006 Million VND
Interest income from deposits	86,251	34,268	86,055	34,268
Gains from sales of equity securities	150,901	17,968	150,901	17,968
Interest income from bonds	1,398	7,740	1,398	7,740
Dividend income	9,650	5,230	9,650	5,230
Realised foreign exchange gains	8,838	5,170	8,838	5,170
Other income from financing activities	827	3,877	827	3,877
	257,865	74,253	257,669	74,253

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

21 COST OF SALES

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
				(Restated)
Cost of finished goods sold	4,747,453	4,237,955	4,742,749	4,237,955
Cost of merchandise sold	89,981	423,421	97,425	423,421
Cost of services provided	1,250	2,197	-	2,197
Movement in provision for inventories	(2,912)	14,541	(2,912)	14,541
	<u>4,835,772</u>	<u>4,678,114</u>	<u>4,837,262</u>	<u>4,678,114</u>

22 FINANCIAL EXPENSES

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
				(Restated)
Interest expense	11,667	43,591	11,667	43,591
Foreign exchange losses	14,747	3,896	14,759	3,896
Loss from sales of equity securities	690	-	690	-
Movement in provision for investments	(1,524)	1,700	33,224	10,570
Other financial expenses	282	40	266	40
	<u>25,862</u>	<u>49,227</u>	<u>60,606</u>	<u>58,097</u>

23 GENERAL AND ADMINISTRATION EXPENSES

The following items have been included in general and administration expenses:

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
				(Restated)
Depreciation and amortisation	26,041	16,354	25,340	16,354
Staff costs	58,812	22,890	58,029	22,890
Rental expenses	11,729	9,511	11,654	9,511
Doubtful debt charge in the year	16,594	510	16,594	510

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

24 NET OTHER INCOME

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
				(Restated)
Other income				
Proceeds from sale/disposal of fixed assets	69,467	334,518	68,489	334,518
Proceeds from sale of scraps	54,022	38,965	54,022	38,965
Rebate income from suppliers	43,230	7,728	43,230	7,728
Sundry income	17,347	5,914	17,190	5,914
Reversal of prior year accruals	13,637	-	13,637	-
	197,703	387,125	196,568	387,125
Other expenses				
Net book value of fixed assets sold/disposed	(74,443)	(334,518)	(72,180)	(334,518)
Sundry expenses	(2,768)	(1,210)	(2,615)	(1,210)
	(77,211)	(335,728)	(74,795)	(335,728)
Net other income	120,492	51,397	121,773	51,397

25 TAXATION

The Group is required to pay business income tax ("BIT") at rates ranged from 15% to 28%, depending on locations of the factories, on taxable profits.

The Company was entitled to two years BIT exemption after equitisation in December 2003 and a 50% reduction in the following three years in accordance to Circular 98/2002/TT-BTC dated 24 October 2002 issued by the Ministry of Finance. The Company was also entitled to a further 50% reduction during two years after the listing of its shares in Ho Chi Minh City Stock Exchange (on 19 January 2006) in accordance to Letter No. 11924/TC-CST dated 20 October 2004 issued by the Ministry of Finance. The General Department of Taxation had approved for the Company to combine the above tax incentives, in Letter No. 1591/TCT-CST dated 4 May 2006, which resulted in a year of full tax exemption for 2007.

26 RELATED PARTY TRANSACTIONS

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 47.6% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

(a) Transactions and balances with SCIC

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Transactions				
Payment of dividends	158,642	71,568	158,542	71,568

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

26 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with SABMiller – a joint venture

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Transactions				
Sales of assets to SABMiller	57,182	334,518	57,182	334,518
Investment in SABMiller (Note 4(b)(i))	-	108,047	-	108,047
Loan granted to SABMiller (Note 4(a)(ii))	80,926	116,471	80,926	116,471

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Balances				
Loan granted to SABMiller (Note 4(a)(ii))	197,397	116,471	197,397	116,471

(c) Transactions and balances with Vegetable Oil Joint Stock Company – an investee company

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Transactions				
Purchases of goods	18,865	48,480	18,865	48,480

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Balances				
Payable	11,724	5,775	11,724	5,775

(d) Compensation of key management:

	<u>Consolidated</u>		<u>Company</u>	
	2007	2006	2007	2006
	Million	Million	Million	Million
	VND	VND	VND	VND
Gross salaries and other benefits	13,918	10,599	13,918	10,599

For the purpose of related party disclosure, key management are defined as members of the Board of Management and Board of Directors.

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

27 SEGMENTAL INFORMATION

At 31 December 2007, management has determined reportable segments; namely domestic market and export market. The Company analyses segment revenue and cost of revenue.

The consolidated segment results for the year ended 31 December 2007 are as follows:

	Domestic Million VND	Export Million VND	Total Million VND
Sales revenue	5,971,473	676,720	6,648,193
Cost of sales	(4,271,025)	(564,747)	(4,835,772)
Gross profit	1,700,448	111,973	1,812,421

The segment results for the year ended 31 December 2006 are as follows:

	Domestic Million VND (Restated)	Export Million VND	Total Million VND (Restated)
Sales revenue	4,965,816	1,279,803	6,245,619
Cost of sales	(3,697,978)	(980,136)	(4,678,114)
Gross profit	1,267,838	299,667	1,567,505

28 COMMITMENTS UNDER OPERATING LEASES

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

	Consolidated		Company	
	2007	2006	2007	2006
	Million VND	Million VND	Million VND	Million VND
Within 1 year	1,722	3,825	1,403	3,825
Between 1 and 5 years	6,915	5,648	5,614	5,648
Over 5 years	58,838	47,002	47,603	47,002
Total minimum payments	67,475	56,475	54,620	56,475

Operating lease commitments represent land and office rentals for the Group's factories and branches.

29 CAPITAL COMMITMENTS

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

	Consolidated		Company	
	2007	2006	2007	2006
	Million VND	Million VND	Million VND	Million VND
Property, plant and equipment	80,730	121,309	80,730	121,309

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

30 OTHER COMMITMENTS

(a) Joint venture contract with SABMiller Asia

As stated in the joint venture contract signed with SABMiller Asia, the Company has a commitment to provide an interest free loan of US\$15.75 million to SABMiller. As at 31 December 2007, the Company had remitted to SABMiller US\$12.25 million (equivalent to VND197,397 million) (see Note 4(a)(ii)). The remaining US\$3.5 million is to be granted as and when required.


(b) Horizon Apartment project

As stated in the contract the Company entered into with FICO Real Estate Company and Real Estate Finance Joint-Stock Company, the Company is committed to contribute 24.5% of the estimated investment capital of VND285,000 million, which is VND69,825 million. The contribution of the investment capital is requested as and when required based on the progress of the project. As at 31 December 2007, the Company had contributed VND7,493million (see Note 4(b)(iii)).

31 CONTINGENT ASSETS

Pursuant to the Land Lease Contract No.10/2005/CTHT/HĐKT date 19 May 2005 signed between the Infrastructure Development Investment Company of Bac Ninh Province and the Company, and the Letter No. 550/KTTH-CT, dated 18 May 2005 issued by the People's Committee of Bac Ninh Province, it was agreed that Bac Ninh Province would undertake to support the Company with land rental cost provided that the Company fulfilled certain commitments. The support amounts are estimated by the Company at VND4,830 million for 2007 and VND10,370 million for 2008. However, the support amounts have not been confirmed by the People's Committee of Bac Ninh Province as they are still assessing the Company's fulfilment of commitments.

The consolidated and company financial statements were approved by the Board of Directors on 10 March 2008.



Le Thanh Liem
Chief Accountant





Mai Kieu Lien
General Director