

**VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011**

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FOR THE YEAR ENDED 31 DECEMBER 2011**

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# 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 30 November 2011 was issued by the Planning and Investment Department of Ho Chi Minh City.	
<b>Board of Management</b>	Mdm Mai Kieu Lien Mr Hoang Nguyen Hoc Ms Ngo Thi Thu Trang Mr Wang Eng Chin Mr Le Anh Minh	Chairwoman Member Member Member 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	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
<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 2011 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 47 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2011, 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



Mai Kieu Lien  
Chief Executive Officer

Ho Chi Minh City, SR Vietnam  
28 February 2012



## **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 2012. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2011, 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 47.

### **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 2011, 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 HCM3016  
29 February 2012

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	
			2011 VND	2010 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>9,467,682,996,094</b>	<b>5,919,802,789,330</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>3</b>	<b>3,156,515,396,990</b>	<b>613,472,368,080</b>
111	Cash		790,515,396,990	249,472,368,080
112	Cash equivalents		2,366,000,000,000	364,000,000,000
<b>120</b>	<b>Short-term investments</b>	<b>4(a)</b>	<b>736,033,188,192</b>	<b>1,742,259,762,292</b>
121	Short-term investments		815,277,431,792	1,812,917,431,792
129	Provision for diminution in value of short-term investments		(79,244,243,600)	(70,657,669,500)
<b>130</b>	<b>Accounts receivable</b>		<b>2,169,205,076,812</b>	<b>1,124,862,162,625</b>
131	Trade accounts receivable	5	1,143,168,467,855	587,457,894,727
132	Prepayments to suppliers		795,149,182,591	354,095,973,554
135	Other receivables	6	232,805,433,796	183,904,850,455
139	Provision for doubtful debts		(1,918,007,430)	(596,556,111)
<b>140</b>	<b>Inventories</b>	<b>7</b>	<b>3,272,495,674,110</b>	<b>2,351,354,229,902</b>
141	Inventories		3,277,429,580,780	2,355,487,444,817
149	Provision for decline in value of inventories		(4,933,906,670)	(4,133,214,915)
<b>150</b>	<b>Other current assets</b>		<b>133,433,659,990</b>	<b>87,854,266,431</b>
151	Short-term prepayments	8(a)	56,909,099,519	38,595,473,073
152	Value Added Tax to be reclaimed		74,772,661,634	16,933,368,421
158	Other current assets		1,751,898,837	32,325,424,937

The notes on pages 11 to 47 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET  
(continued)**

Code	ASSETS (continued)	Note	As at 31 December	
			2011 VND	2010 VND
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>6,114,988,554,657</b>	<b>4,853,229,506,530</b>
<b>210</b>	<b>Long-term receivables</b>		-	<b>23,624,693</b>
218	Other long-term receivables		-	23,624,693
<b>220</b>	<b>Fixed assets</b>		<b>5,044,762,028,869</b>	<b>3,428,571,795,589</b>
221	Tangible fixed assets	9(a)	3,493,628,542,454	2,589,894,051,885
222	Cost		5,301,826,836,260	4,113,300,629,871
223	Accumulated depreciation		(1,808,198,293,806)	(1,523,406,577,986)
227	Intangible fixed assets	9(b)	256,046,089,531	173,395,289,975
228	Cost		383,409,370,867	263,171,406,266
229	Accumulated depreciation		(127,363,281,336)	(89,776,116,291)
230	Construction in progress	9(c)	1,295,087,396,884	665,282,453,729
<b>240</b>	<b>Investment properties</b>	10	<b>100,671,287,539</b>	<b>100,817,545,211</b>
241	Cost		117,666,487,460	104,059,758,223
242	Accumulated depreciation		(16,995,199,921)	(3,242,213,012)
<b>250</b>	<b>Long-term investments</b>	4(b)	<b>846,713,756,424</b>	<b>1,141,798,415,275</b>
252	Investments in joint ventures and associates		205,418,475,253	214,232,426,023
258	Other long-term investments		783,646,073,800	1,036,146,073,800
259	Provision for diminution in value of long-term investments		(142,350,792,629)	(108,580,084,548)
<b>260</b>	<b>Goodwill</b>	11	<b>15,503,335,522</b>	<b>19,556,808,664</b>
<b>270</b>	<b>Other long-term assets</b>		<b>107,338,146,303</b>	<b>162,461,317,098</b>
271	Long-term prepayments	8(b)	25,598,314,795	97,740,813,322
272	Deferred income tax assets	12	80,643,411,508	62,865,036,536
278	Other long-term assets		1,096,420,000	1,855,467,240
<b>280</b>	<b>TOTAL ASSETS</b>		<b>15,582,671,550,751</b>	<b>10,773,032,295,860</b>

The notes on pages 11 to 47 are an integral part of these consolidated financial statements.



## VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET  
(continued)

Code	RESOURCES	Note	As at 31 December	
			2011 VND	2010 VND
<b>300</b>	<b>LIABILITIES</b>		<b>3,105,466,354,267</b>	<b>2,808,595,705,578</b>
<b>310</b>	<b>Current liabilities</b>		<b>2,946,537,015,499</b>	<b>2,645,012,251,272</b>
311	Short-term borrowings	13	-	567,960,000,000
312	Trade accounts payable	14	1,830,959,100,474	1,089,416,813,120
313	Advances from customers		116,844,952,210	30,515,029,293
314	Taxes and other payables to the State Budget	15	287,462,890,828	281,788,660,883
315	Payable to employees		44,740,312,110	33,549,296,245
316	Accrued expenses	16	260,678,009,293	264,150,983,635
319	Other payables	17	59,478,925,315	118,236,497,397
320	Bonus and welfare fund		346,372,825,269	259,394,970,699
<b>330</b>	<b>Long-term liabilities</b>		<b>158,929,338,768</b>	<b>163,583,454,306</b>
333	Other long-term liabilities	18	92,000,000,000	92,000,000,000
336	Provision for severance allowances	19	66,923,897,268	51,373,933,083
338	Unearned revenue		5,441,500	20,209,521,223
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>12,477,205,196,484</b>	<b>7,964,436,590,282</b>
<b>410</b>	<b>Capital and reserves</b>		<b>12,477,205,196,484</b>	<b>7,964,436,590,282</b>
411	Share capital	20, 21	5,561,147,540,000	3,530,721,200,000
412	Share premium	21	1,276,994,100,000	-
414	Treasury shares	21	(2,521,794,000)	(669,051,000)
417	Investment and development fund	21	908,024,236,384	2,172,290,789,865
418	Financial reserve fund	21	556,114,754,000	353,072,120,000
420	Undistributed earnings	21	4,177,446,360,100	1,909,021,531,417
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>15,582,671,550,751</b>	<b>10,773,032,295,860</b>

## OFF BALANCE SHEET ITEMS

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

	As at 31 December	
	2011	2010
US\$	27,989,325.30	1,303,357.93
EUR	1,482,877.52	994.69

  
Le Thanh Liem  
Chief Accountant

  
Ngo Thi Thu Trang  
Executive Director - Finance

  
Mai Kieu Lien  
Chief Executive Officer  
28 February 2012

The notes on pages 11 to 47 are an integral part of these consolidated financial statements.

## VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Form B 02 – DN/HN

## CONSOLIDATED INCOME STATEMENT

Code	Note	For the year ended 31 December	
		2011 VND	2010 VND
01 Sales		22,070,557,490,766	16,081,466,183,586
02 Less deductions		(443,128,597,657)	(328,600,184,161)
10 Net sales	23(a)	21,627,428,893,109	15,752,865,999,425
11 Cost of sales	24	(15,039,305,378,364)	(10,579,208,129,197)
20 Gross profit		6,588,123,514,745	5,173,657,870,228
21 Financial income	23(b)	680,232,453,133	448,530,127,237
22 Financial expenses	25	(246,429,909,362)	(153,198,613,988)
24 Selling expenses	26	(1,811,914,247,629)	(1,438,185,805,872)
25 General and administration expenses	27	(459,431,997,199)	(388,147,124,772)
30 Operating profit		4,750,579,813,688	3,642,656,452,833
40 Net other income	28	237,226,032,153	608,785,500,303
41 Share of associate's result		(8,813,950,770)	(234,529,528)
50 Net accounting profit before tax		4,978,991,895,071	4,251,207,423,608
51 Business income tax - current	29	(778,588,561,106)	(645,058,588,114)
52 Business income tax - deferred	29, 12	17,778,374,972	9,344,103,477
53 Loss attributable to minority interest		-	693,010,209
60 Net profit after tax		4,218,181,708,937	3,616,185,949,180
70 Basic earnings per share (VND)	30	7,117	6,834

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Le Thanh Liem  
Chief Accountant

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Ngo Thi Thu Trang  
Executive Director - Finance

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Mai Kieu Lien  
Chief Executive Officer  
28 February 2012



The notes on pages 11 to 47 are an integral part of these consolidated financial statements.

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


		For the year ended 31 December	
		2011	2010
Code	Note	VND	VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	4,978,991,895,071	4,251,207,423,608
	Adjustments for:		
02	Depreciation and amortisation	414,590,126,008	290,130,555,884
03	Provisions	46,246,669,182	(3,794,604,381)
04	Unrealised foreign exchange losses /(gains)	7,605,774,684	(42,641,420,105)
05	Losses/(gains) from disposal of fixed assets	22,448,930,471	(334,206,706,014)
05	Interest and dividends income	(492,526,979,114)	(275,493,447,654)
05	Losses from other investing activities	9,240,144,764	607,464,960
06	Interest expense	13,933,130,085	6,171,553,959
08	Operating profit before changes in working capital	5,000,529,691,151	3,891,980,820,257
09	Increase in receivables	(1,105,678,269,247)	(319,291,901,558)
10	Increase in inventories	(1,021,809,144,291)	(1,110,496,793,174)
11	Increase in payables	703,897,108,817	367,932,025,243
12	Increase in prepaid expenses	(28,541,385,553)	(14,274,508,242)
13	Interest paid	(14,785,659,974)	(5,034,090,508)
14	Business income tax paid	(793,480,641,563)	(548,573,466,173)
15	Other receipts from operating activities	1,255,501,334	66,404,700,098
16	Other payments on operating activities	(330,218,588,434)	(309,872,739,199)
20	Net cash inflows from operating activities	2,411,168,612,240	2,018,774,046,744
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase of fixed assets and constructions	(1,767,206,055,153)	(1,432,287,891,422)
22	Proceeds from disposals of fixed assets	47,134,169,534	690,015,455,837
23	Purchase of bonds	-	(500,000,000,000)
23	Loans granted to associates	(18,000,000,000)	-
24	Decrease in deposits at banks	1,170,408,000,000	619,375,000,000
24	Proceeds from disposal of short-term investments	101,161,512,182	16,773,743,444
25	Investment in other entities	-	(309,567,384,560)
27	Dividends and interest received	472,509,194,809	272,639,774,517
30	Net cash inflows/(outflows) from investing activities	6,006,821,372	(643,051,302,184)

The notes on pages 11 to 47 are an integral part of these consolidated financial statements.



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

		For the year ended 31 December		
Code	Note	2011 VND	2010 VND	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
31	Proceeds from issuance of shares	20, 21	1,454,528,400,000	18,068,200,000
32	Payment for share returns and repurchases	20, 21	(1,852,743,000)	(514,829,000)
33	Proceeds from borrowings		624,835,000,000	967,075,836,372
34	Repayments of borrowings		(1,209,835,000,000)	(407,813,214,054)
36	Dividends paid	21, 22	(741,428,260,000)	(1,765,200,420,000)
40	Net cash inflows/(outflows) from financing activities		126,247,397,000	(1,188,384,426,682)
50	Net increase in cash and cash equivalents		2,543,422,830,612	187,338,317,878
60	Cash and cash equivalents at beginning of year	3	613,472,368,080	426,134,657,958
61	Foreign exchange gain on cash and cash equivalents		(379,801,702)	(607,756)
70	Cash and cash equivalents at end of year	3	3,156,515,396,990	613,472,368,080

  
\_\_\_\_\_  
Le Thanh Liem  
Chief Accountant

  
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Ngo Thi Thu Trang  
Executive Director - Finance

  
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Mai Kieu Lien  
Chief Executive Officer  
28 February 2012



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011****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/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 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 20 August 2010, the Planning and Investment Department of Ho Chi Minh City issued the amended Business registration Certificate No. 0300588569 approving the increase in share capital to 3,530,721,200 thousand Vietnamese Dong.

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.

On 30 November 2011, the Planning and Investment Department of Ho Chi Minh City issued another amended Business Registration Certificate No. 0300588569 approving the additions of new business activities and business locations.

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. At the date of approval of the financial statements, the Company has not completed the registration for amended Business Registration Certificate for the increase in share capital.

The principal activities of the Company 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;
- Activities supporting agricultural operations such as: supply of seeds of cultivated crops, guidance on cultivation techniques, cultivation harvest, soil working, irrigation;
- Cattle raising: supply of breeding animals and breeding techniques;
- 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 2011 comprises 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	31.12.2011		31.12.2010	
		% of ownership	% of voting rights	% of ownership	% of voting rights
Subsidiaries:					
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%
Joint ventures:					
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%
Associates:					
Asia Saigon Food Ingredients Joint Stock Company	Lot C, 9E My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	15.79%	15.79%	20%	20%
Miraka Limited	Becker Findlay Allen C Tower 109 Tuwharetoa St, PO Box 1091, Taupo, New Zealand	19.3%	19.3%	19.3%	19.3%

As at 31 December 2011, the Group had 4,638 employees (2010: 4,453 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 2011, 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 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 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 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****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.

*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) 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.

**2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)****2.16 Revenue recognition (continued)****(c) Interest income**

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

**(d) Dividend income**

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

**2.17 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.

**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	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 or its subsidiaries. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees. Up to 31 December 2008, the provision has been calculated on the basis of a half month's salary for each employee for each year of service with the Company or its subsidiaries, based on salary levels as of that date.

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Company or 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 or its subsidiaries are no longer required to provide for the service period after 1 January 2009. However, severance allowance as of 31 December 2011 will be determined based on the employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

**3 CASH AND CASH EQUIVALENTS**

	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	748,676,117	739,816,785
Cash at bank	789,766,720,873	245,717,979,722
Cash in transit	-	3,014,571,573
Cash equivalents (*)	2,366,000,000,000	364,000,000,000
	<u>3,156,515,396,990</u>	<u>613,472,368,080</u>

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

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

	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Investment in unlisted equity securities	82,283,660,000	82,283,660,000
Investment in listed equity securities	24,993,771,792	24,993,771,792
Short-term deposits at banks	440,000,000,000	1,605,640,000,000
Bonds issued by local corporates	50,000,000,000	-
Bonds issued by local credit institutions	200,000,000,000	100,000,000,000
Other short-term investments (Note 32(a))	18,000,000,000	-
	<u>815,277,431,792</u>	<u>1,812,917,431,792</u>
Provision for diminution in value of short-term investments	<u>(79,244,243,600)</u>	<u>(70,657,669,500)</u>
	<u>736,033,188,192</u>	<u>1,742,259,762,292</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>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Opening balance	70,657,669,500	86,506,865,100
Increase	8,586,574,100	7,706,652,500
Reversal	-	(23,555,848,100)
Closing balance	<u>79,244,243,600</u>	<u>70,657,669,500</u>

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

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

	<b>2011 VND</b>	<b>2010 VND</b>
<i>Long-term equity investments in associates and joint ventures:</i>		
Miraka Limited	173,228,494,143	179,315,000,000
Asia Saigon Food Ingredients Joint Stock Company	15,038,025,559	17,765,470,472
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>205,418,475,253</u>	<u>214,232,426,023</u>
<i>Other long-term investments:</i>		
Long-term bonds issued by local corporates	50,000,000,000	100,000,000,000
Long-term bonds issued by local credit institutions	300,000,000,000	500,000,000,000
<i>Other long-term investments:</i>		
Listed equity securities	206,996,073,800	206,996,073,800
Investment funds	106,350,000,000	106,350,000,000
Others	120,300,000,000	122,800,000,000
	<u>783,646,073,800</u>	<u>1,036,146,073,800</u>
<i>Provision for diminution in value of long-term investments</i>	<u>(142,350,792,629)</u>	<u>(108,580,084,548)</u>
	<u>846,713,756,424</u>	<u>1,141,798,415,275</u>

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

	<b>2011 VND</b>	<b>2010 VND</b>
Opening balance	108,580,084,548	96,405,129,045
Increase	34,898,977,981	30,319,633,343
Reversal	(1,128,269,900)	(18,144,677,840)
	<u>142,350,792,629</u>	<u>108,580,084,548</u>

**5 TRADE ACCOUNTS RECEIVABLE**

	<b>2011 VND</b>	<b>2010 VND</b>
Third parties	1,143,168,467,855	587,457,894,727

**6 OTHER RECEIVABLES**

	<b>2011 VND</b>	<b>2010 VND</b>
Dividends receivable	6,144,600	-
Interest income on deposits	39,118,333,339	54,367,379,221
Interest income receivable on bonds and loans granted to associates	53,480,095,630	34,647,731,162
Tax refundable	128,761,266,269	86,664,527,807
Claims to suppliers	-	5,209,268,069
Others	11,439,593,958	3,015,944,196
	232,805,433,796	183,904,850,455

**7 INVENTORIES**

	<b>2011 VND</b>	<b>2010 VND</b>
Goods in transit	972,360,197,401	623,207,047,788
Raw materials	1,590,350,151,377	1,173,813,695,805
Tools and supplies	1,833,344,075	7,056,358,487
Work in progress	61,562,596,516	124,144,418,373
Finished goods	579,265,915,242	377,156,084,524
Merchandise goods	23,686,995,937	34,192,837,705
Goods on consignment	48,370,380,232	15,917,002,135
	3,277,429,580,780	2,355,487,444,817
Provision for decline in value of inventory	(4,933,906,670)	(4,133,214,915)
	3,272,495,674,110	2,351,354,229,902



**7 INVENTORIES (continued)**

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

	<b>2011 VND</b>	<b>2010 VND</b>
Opening balance	4,133,214,915	9,505,656,820
Increase	10,074,642,239	6,674,401,057
Reversal	(8,018,602,015)	(6,667,004,301)
Written-off	(1,255,348,469)	(5,379,838,661)
	<hr/>	<hr/>
Closing balance	4,933,906,670	4,133,214,915
	<hr/>	<hr/>

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

	<b>2011 VND</b>	<b>2010 VND</b>
Advertising expenses	8,320,100,182	8,764,606,163
Freezers and coolers	34,676,924,998	13,536,497,543
Land, warehouse and other rental expenses	2,414,274,654	4,117,594,883
Software development and server maintenance expenses	3,862,183,375	2,194,732,003
Tools and supplies	4,255,096,359	2,844,774,494
Repair and maintenance expenses	1,381,630,958	4,739,455,297
Other expenses	1,998,888,993	2,397,812,690
	<hr/>	<hr/>
	56,909,099,519	38,595,473,073
	<hr/>	<hr/>

**8 PREPAYMENTS (continued)****(b) Long-term prepayments**

	<b>2011 VND</b>	<b>2010 VND</b>
Land rental	2,434,012,586	86,021,727,136
Freezers and coolers	11,241,646,159	7,122,306,162
Other expenses	11,922,656,050	4,596,780,024
	<u>25,598,314,795</u>	<u>97,740,813,322</u>

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

	<b>2011 VND</b>	<b>2010 VND</b>
Opening balance	97,740,813,322	194,714,091,558
Increase	75,772,676,087	31,766,676,285
Charged to income statement	(3,668,511,654)	(1,437,755,893)
Transfers to intangible fixed assets (*)	(82,680,130,919)	(77,559,136,190)
Transfers to short-term prepayments (**)	(61,566,532,041)	(49,743,062,438)
	<u>25,598,314,795</u>	<u>97,740,813,322</u>

(\*) Represented the prepaid rental fees of four land lots for which the land use rights certificates have been granted to the Group.

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

VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

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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 2011	778,992,909,342	2,718,468,317,885	330,555,956,849	176,038,864,793	109,244,581,002	<b>4,113,300,629,871</b>
New purchases	9,350,919,682	74,603,634,491	20,193,651,414	51,571,128,211	-	<b>155,719,333,798</b>
Transfers from construction in progress (Note 9(c))	204,814,294,827	864,727,536,637	25,944,153,221	35,128,761,651	-	<b>1,130,614,746,336</b>
Transfers from inventory	-	-	-	-	103,021,517,042	<b>103,021,517,042</b>
Transfers to investment properties (Note 10)	(13,606,729,237)	-	-	-	-	<b>(13,606,729,237)</b>
Reclassification	-	189,819,323	-	(189,819,323)	-	<b>-</b>
Disposals	(68,736,260,725)	(60,858,649,469)	(33,943,201,716)	(5,111,052,246)	(16,762,973,329)	<b>(185,412,137,485)</b>
Other decreases	-	(1,810,524,065)	-	-	-	<b>(1,810,524,065)</b>
At 31 December 2011	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>
<b>Accumulated depreciation</b>						
At 1 January 2011	220,503,672,561	1,072,531,849,026	123,754,376,223	89,822,779,956	16,793,900,220	<b>1,523,406,577,986</b>
Charge for the year	38,365,748,340	267,051,583,113	28,777,829,298	36,434,769,921	28,680,343,437	<b>399,310,274,109</b>
Transfers to investment properties (Note 10)	(9,915,048,803)	-	-	-	-	<b>(9,915,048,803)</b>
Reclassification	96,735,866	342,904,429	25,505,540	(229,394,313)	(235,751,522)	<b>-</b>
Disposals	(31,438,527,014)	(53,878,015,213)	(9,473,718,705)	(5,048,229,848)	(4,508,355,189)	<b>(104,346,845,969)</b>
Other decreases	-	(256,663,517)	-	-	-	<b>(256,663,517)</b>
At 31 December 2011	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>
<b>Net book value</b>						
At 1 January 2011	558,489,236,781	1,645,936,468,859	206,801,580,626	86,216,084,837	92,450,680,782	<b>2,589,894,051,885</b>
At 31 December 2011	693,202,552,939	2,309,528,476,964	199,666,567,412	136,457,957,370	154,772,987,769	<b>3,493,628,542,454</b>

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

Included in the tangible fixed assets were assets costing VND628,995,160,327 which were fully depreciated as at 31 December 2011 (2010: VND647,984,584,591), but which are still in active use.

**(b) Intangible fixed assets**

	<b>Land use rights VND</b>	<b>Software VND</b>	<b>Total VND</b>
<b>Historical cost</b>			
At 1 January 2011	213,282,338,479	49,889,067,787	<b>263,171,406,266</b>
Additions	-	9,138,961,760	<b>9,138,961,760</b>
Transfer from short-term and long-term prepayments	111,195,942,361	-	<b>111,195,942,361</b>
Disposals	-	(96,939,520)	<b>(96,939,520)</b>
At 31 December 2011	<u>324,478,280,840</u>	<u>58,931,090,027</u>	<u><b>383,409,370,867</b></u>
<b>Accumulated amortisation</b>			
At 1 January 2011	47,685,633,224	42,090,483,067	<b>89,776,116,291</b>
Charge for the year	4,751,996,743	6,689,917,050	<b>11,441,913,793</b>
Transfer from short-term and long-term prepayments	26,242,190,772	-	<b>26,242,190,772</b>
Disposals	-	(96,939,520)	<b>(96,939,520)</b>
At 31 December 2011	<u>78,679,820,739</u>	<u>48,683,460,597</u>	<u><b>127,363,281,336</b></u>
<b>Net book value</b>			
At 1 January 2011	<u>165,596,705,255</u>	<u>7,798,584,720</u>	<u><b>173,395,289,975</b></u>
At 31 December 2011	<u>245,798,460,101</u>	<u>10,247,629,430</u>	<u><b>256,046,089,531</b></u>

Included in the intangible fixed assets were assets costing VND43,568,790,597 which were fully depreciated as at 31 December 2011 (2010: VND18,871,366,142), but which are still in active use.

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

	<b>2011 VND</b>	<b>2010 VND</b>
Opening balance	665,282,453,729	650,140,391,846
Additions	1,765,978,487,062	1,175,733,225,440
Transfers to tangible fixed assets (Note 9(a))	(1,130,614,746,336)	(1,146,041,166,302)
Transfers to investment properties	-	(12,411,182,265)
Transfers to inventory	(4,529,164,165)	-
Disposals	-	(1,495,453,021)
Other decreases	(1,029,633,406)	(643,361,969)
Closing balance	<u>1,295,087,396,884</u>	<u>665,282,453,729</u>

Main projects relate to these following locations:

	<b>2011 VND</b>	<b>2010 VND</b>
Head Office	652,557,519,078	277,772,837,051
Da Nang Branch	237,931,390,899	281,018,182
Tien Son milk factory	81,555,694,010	49,929,155,652
Saigon milk factory	80,403,563,112	185,734,013,102
Can Tho Branch	44,989,951,351	44,920,740,945
Nghe An milk factory	<u>35,495,060,435</u>	<u>3,690,119,467</u>

**10 INVESTMENT PROPERTY**

	Land use right VND	Infrastructure VND	Buildings VND	Total VND
<b>Historical cost</b>				
At 1 January 2011	27,489,150,000	5,994,290,197	70,576,318,026	<b>104,059,758,223</b>
Transfers from tangible fixed assets (Note 9(a))	-	-	13,606,729,237	<b>13,606,729,237</b>
At 31 December 2011	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 2011	-	544,872,474	2,697,340,538	<b>3,242,213,012</b>
Charge for the year	-	599,429,017	3,238,509,089	<b>3,837,938,106</b>
Transfers from tangible fixed assets (Note 9(a))	-	-	9,915,048,803	<b>9,915,048,803</b>
At 31 December 2011	-	1,144,301,491	15,850,898,430	<b>16,995,199,921</b>
<b>Net book value</b>				
At 1 January 2011	27,489,150,000	5,449,417,723	67,878,977,488	<b>100,817,545,211</b>
At 31 December 2011	27,489,150,000	4,849,988,706	68,332,148,833	<b>100,671,287,539</b>

The land use rights of the Group 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 2011 (31 December 2010: Nil), but which are still in active use.

**11 GOODWILL**

Movements of goodwill during the year were as follows:

	2011 VND	2010 VND
Opening balance	19,556,808,664	-
Increase	-	20,680,539,721
Decrease	(2,269,050,480)	-
Charged to the income statement	(1,784,422,662)	(1,123,731,057)
Closing balance	15,503,335,522	19,556,808,664

**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>2011 VND</b>	<b>2010 VND</b>
Opening balance	62,865,036,536	53,520,933,059
Income statement credit	17,778,374,972	9,344,103,477
Closing balance	<u>80,643,411,508</u>	<u>62,865,036,536</u>

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

**13 SHORT-TERM BORROWINGS**

	<b>2011 VND</b>	<b>2010 VND</b>
Short-term borrowings	<u>-</u>	<u>567,960,000,000</u>

The Group's balance of short-term borrowings as at 31 December 2010 represented 5 six-month to one-year borrowings from a branch of a foreign bank amounting to US\$30 million with the interest rates ranging from 2% to 2.09% per annum. The borrowings were fully repaid during the year ended 31 December 2011.

**14 TRADE ACCOUNTS PAYABLE**

	<b>2011 VND</b>	<b>2010 VND</b>
Third parties	1,722,763,113,643	1,089,416,813,120
Related parties (Note 32(b))	108,195,986,831	-
	<u>1,830,959,100,474</u>	<u>1,089,416,813,120</u>

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

	<b>2011 VND</b>	<b>2010 VND</b>
Value Added Tax	78,912,830,769	63,543,620,049
Import duty	5,819,918,779	3,668,385,524
Business income tax	188,626,252,026	203,518,332,483
Personal income tax	13,715,531,182	10,303,847,765
Others	388,358,072	754,475,062
	<u>287,462,890,828</u>	<u>281,788,660,883</u>

**16 ACCRUED EXPENSES**

	<b>2011 VND</b>	<b>2010 VND</b>
Sales incentives for customers	166,981,423,467	124,353,396,055
Expenses for product display	138,181,804	652,393,939
Advertising expenses	29,428,701,502	83,472,865,870
Transportation expenses	25,359,546,962	20,660,425,800
Interest expenses	-	1,025,212,500
Fuel expenses	5,795,564,015	299,850,621
Repair and maintenance expenses	6,357,023,147	4,239,789,975
Expenses for outsourced employees	7,252,173,600	6,620,417,339
Others	19,365,394,796	22,826,631,536
	<u>260,678,009,293</u>	<u>264,150,983,635</u>

Other accrued expenses as at 31 December 2011 mainly comprised land rentals and other general and administration expenses.

**17 OTHER PAYABLES**

	<b>2011 VND</b>	<b>2010 VND</b>
Deposits received from customers	13,510,621,271	13,069,222,332
Import duty payables	31,891,388,948	91,614,690,576
Payables to minority shareholders of subsidiaries	34,800,000	34,800,000
Other payables relating to financial investments	184,859,155	2,684,859,155
Staff insurances and trade union fee	615,429,742	201,264,468
Others	13,241,826,199	10,631,660,866
	<u>59,478,925,315</u>	<u>118,236,497,397</u>

**18 OTHER LONG-TERM LIABILITIES**

Other long term liabilities mainly represented an advance payment received from a third party in respect of the future transfer of the Group's investment in a bank. The transfer can only be effective upon approval by the bank's Annual General Meeting or its Board of Management and its founding shareholders; or after five years from the date of establishment of the bank, whichever comes first.

**19 PROVISION FOR SEVERANCE ALLOWANCES**

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

	<b>2011 VND</b>	<b>2010 VND</b>
Opening balance	51,373,933,083	34,930,886,174
Increase	16,618,656,982	24,104,008,563
Payment during the year	(1,068,692,797)	(4,475,476,521)
Reversal	-	(3,185,485,133)
	<u>66,923,897,268</u>	<u>51,373,933,083</u>



**20 SHARE CAPITAL**

During the year, pursuant to the Board of Management's Resolution No 09/NQ-CTS.HDQT/2010 dated 15 November 2010, Decision No 02/QD-CTS.HDQT/2011 dated 18 April 2011 and Resolution No 03/NQ-CTS.HDQT/2011 dated 27 April 2011, the Company issued 7,053,430 shares to the Company's employees at VND10,000 per share and 10,700,000 shares to foreign investors at the average price of VND129,359 per share.

On 23 December 2011, the Ho Chi Minh City Stock Exchange issued Decision No 187/2011/QD-SGDHCM to approve for the register of 185,289,204 bonus shares of 2:1 ratio in circulation, which were issued using the Investment and Development Fund to raise the share capital to VND5,561,147,540,000. As at 31 December 2011, the Company has not registered for amended Business Registration Certificate for the increase in share capital.

The Company's authorised and issued share capitals are:

	<b>31.12.2011</b>		<b>31.12.2010</b>	
	<b>Number of shares</b>	<b>VND</b>	<b>Number of shares</b>	<b>VND</b>
<b>Authorised share capital</b>	556,114,754	5,561,147,540,000	353,072,120	3,530,721,200,000
<b>Issued share capital</b>				
Ordinary shares	556,114,754	5,561,147,540,000	353,072,120	3,530,721,200,000
<b>Treasury shares</b>				
Ordinary shares	(247,140)	(2,521,794,000)	(66,020)	(669,051,000)
<b>Shares currently in circulation</b>				
Ordinary shares	555,867,614	5,558,625,746,000	353,006,100	3,530,052,149,000

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.

**21 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 2010	3,512,653,000,000	-	(154,222,000)	1,756,282,910,335	294,347,876,431	892,345,028,217	<b>6,455,474,592,983</b>
Capital increase during the year	18,068,200,000	-	(514,829,000)	-	-	-	<b>17,553,371,000</b>
Profit for the year	-	-	-	-	-	3,616,185,949,180	<b>3,616,185,949,180</b>
Other increases	-	-	-	-	-	6,688,696	<b>6,688,696</b>
Appropriations to reserves	-	-	-	416,007,879,530	58,724,243,569	(834,315,714,676)	<b>(359,583,591,577)</b>
Dividends paid	-	-	-	-	-	(1,765,200,420,000)	<b>(1,765,200,420,000)</b>
As at 31 December 2010	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	(1,852,743,000)	(1,852,892,040,000)	-	-	<b>1,452,675,657,000</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 (Note 22)	-	-	-	-	-	(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>

**22 DIVIDENDS**

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

Final dividends in respect of the year ended 31 December 2011 are to be proposed at the Company's Annual General Meeting in 2012.

**23 REVENUE****(a) Net sales**

	<b>2011 VND</b>	<b>2010 VND</b>
<b>Sales</b>		
Sales of merchandise goods	302,234,100,241	158,054,990,021
Sales of finished goods	21,737,996,256,230	15,890,079,436,076
Sales from provision of real estate services	9,636,945,888	5,920,773,239
Sales from provision of other services	20,690,188,407	27,410,984,250
	<hr/> 22,070,557,490,766	<hr/> 16,081,466,183,586
<b>Sales deductions</b>		
Trade discounts	(441,891,678,905)	(320,185,652,193)
Sales returns	(1,236,918,752)	(8,414,531,968)
	<hr/> (443,128,597,657)	<hr/> (328,600,184,161)
<b>Net sales</b>	<hr/> <hr/> 21,627,428,893,109	<hr/> <hr/> 15,752,865,999,425

**(b) Financial income**

	<b>2011 VND</b>	<b>2010 VND</b>
Interest income on loan granted	2,445,000,000	-
Interest income on deposits	366,516,423,111	196,899,498,165
Interest income on bonds	97,988,961,693	60,569,825,569
Gain on disposal of securities	-	1,037,680,360
Dividends income	25,576,594,310	18,024,123,920
Realised foreign exchange gains	133,011,736,352	124,057,264,255
Gains from foreign currency translation at year end	53,335,201,499	47,711,031,480
Others	1,358,536,168	230,703,488
	<hr/> 680,232,453,133	<hr/> 448,530,127,237

**24 COST OF SALES**

	<b>2011 VND</b>	<b>2010 VND</b>
Merchandise goods sold	286,607,568,444	145,209,760,823
Finished goods sold	14,684,630,075,415	10,356,442,165,458
Real estate services provided	5,461,852,413	3,826,512,705
Other services provided	1,314,885,592	6,301,870,656
Inventories deficiencies	2,038,511,053	1,284,568,341
Expenses in excess of normal value	57,196,445,223	66,135,854,458
Provision for the decline in value of inventory	2,056,040,224	7,396,756
	<u>15,039,305,378,364</u>	<u>10,579,208,129,197</u>

**25 FINANCIAL EXPENSES**

	<b>2011 VND</b>	<b>2010 VND</b>
Payment discounts for distributors	22,667,657,049	37,407,095,648
Interest expenses on loans	13,933,130,085	6,171,553,959
Interest expenses on deposits received	1,173,590,655	1,303,336,014
Realised foreign exchange losses	105,298,278,209	100,770,275,629
Losses on foreign currency translation at year end	60,940,976,183	5,069,611,375
Provision/(reversal of provision) for diminution in value of investments	42,357,282,181	(3,674,240,097)
Brokerage fee	-	154,951,460
Other financial expenses	58,995,000	5,996,030,000
	<u>246,429,909,362</u>	<u>153,198,613,988</u>

**26 SELLING EXPENSES**

	<b>2011 VND</b>	<b>2010 VND</b>
Advertising expense	400,203,453,923	484,726,234,260
Promotion expense	501,645,805,671	267,572,811,563
Support and commission expenses for distributors	330,271,502,489	237,388,966,895
Staff costs	126,040,690,295	111,698,708,452
Material expenses	46,661,138,368	36,033,721,867
Tools and supplies expenses	36,459,224,005	15,694,989,118
Depreciation expenses	25,827,515,080	31,490,118,666
Expenses of damaged goods	10,079,299,960	6,429,668,286
Transportation for goods sold	254,224,204,720	150,806,262,900
Outside service expenses	80,501,413,118	96,344,323,865
	<u>1,811,914,247,629</u>	<u>1,438,185,805,872</u>

**27 GENERAL AND ADMINISTRATION EXPENSES**

	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Staff costs	139,108,109,646	105,991,687,325
Material expenses	10,884,949,950	8,308,139,705
Office supplies	5,130,371,249	8,333,290,980
Depreciation expense	50,962,059,856	29,461,744,081
Fees and duties	5,136,600,449	7,874,243,019
Provision of doubtful debts and severance allowance	18,452,003,759	19,914,745,226
Transportation for internal transfer of goods	47,134,745,105	43,427,505,771
Outside service expenses	96,091,668,645	80,753,907,409
Loading expenses	32,483,865,536	24,830,959,180
Per diem allowances	14,907,572,769	14,145,595,709
Bank charges	6,926,788,557	6,873,150,187
Others	32,213,261,678	38,232,156,180
	<u>459,431,997,199</u>	<u>388,147,124,772</u>

**28 NET OTHER INCOME**

	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
<b>Other income</b>		
Compensation received from other parties	3,140,520,594	1,288,039,182
Proceeds from disposals of fixed assets	58,616,361,045	701,993,355,373
Proceeds from sales of scraps, tools and supplies	81,356,185,908	58,532,314,552
Rebate income from suppliers	166,810,521,148	217,531,182,525
Sundry income	13,182,449,134	3,642,276,984
	<u>323,106,037,829</u>	<u>982,987,168,616</u>
<b>Other expenses</b>		
Net book value of fixed assets disposed	(81,065,291,516)	(349,191,024,395)
Expenses on disposal of fixed assets	-	(17,099,171,943)
Cost of tools, supplies and scraps disposed	(1,395,686,642)	(626,593,674)
Fines due to contract breach	(722,472,308)	(5,264,156,933)
Sundry expenses	(2,696,555,210)	(2,020,721,368)
	<u>(85,880,005,676)</u>	<u>(374,201,668,313)</u>
Net other income	<u>237,226,032,153</u>	<u>608,785,500,303</u>

**29 BUSINESS INCOME TAX**

The Company is required to pay business income tax ("BIT") at rates ranging from 15% to 25%, depending on locations of the factories, on taxable profits. In the Group, only the Company and Lamson Dairy One Member Company Limited incurred the business income tax charges. Other companies either are in the exempt period or 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>2011 VND</b>	<b>2010 VND</b>
Net accounting profit before tax	4,978,991,895,071	4,251,207,423,608
Tax calculated at the tax rate of 25%	1,244,747,973,768	1,062,801,855,902
Effect of:		
Different tax rates applicable for branches and subsidiaries	(226,947,759,566)	(172,131,175,185)
Income not subject to tax	(24,161,191,796)	(11,680,572,796)
Expenses not deductible for tax purposes	5,821,560,435	2,494,552,401
Tax incentives	(251,427,181,503)	(250,238,871,042)
Current tax losses in subsidiaries for which no deferred income tax asset was recognised	7,362,992,662	3,994,740,319
Under-provision in previous years	5,413,792,134	473,955,038
Business income tax charge	<u>760,810,186,134</u>	<u>635,714,484,637</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 tax authorities.

**30 BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	<b>2011</b>	<b>2010</b>
Net profit attributable to shareholders (VND)	4,218,181,708,937	3,616,185,949,180
Weighted average number of ordinary shares in issuance	546,582,775	352,777,598
Basic earnings per share based on weighted average number of ordinary shares in issuance (VND)	7,717	10,251
Weighted average number of ordinary shares in issuance recalculated on the assumption that the bonus shares issued in 2011 had been issued since 1 January 2010	546,582,775	529,166,396
Basic earnings per share recalculated on the assumption that the bonus shares issued in 2011 had been issued since 1 January 2010 (VND)	<u>7,717</u>	<u>6,834</u>

The Group does not have potentially dilutive ordinary shares.

**31 COST OF GOODS MANUFACTURED BY FACTORS**

	<b>2011 VND</b>	<b>2010 VND</b>
Raw materials	14,913,678,702,671	10,249,281,585,276
Labour costs	601,676,764,769	493,167,684,107
Depreciation expenses	414,590,126,421	289,533,149,414
Outside service expenses	747,423,305,413	576,326,193,320
Other cash expenses	1,418,811,954,953	1,155,019,268,880
	<u>18,096,180,854,227</u>	<u>12,763,327,880,997</u>

**32 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES**

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 45.04% 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>2011 VND</b>	<b>2010 VND</b>
<b>Associates:</b>		
Asia Saigon Food Ingredients Joint Stock Company	112,180,852	-

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

	<b>2011 VND</b>	<b>2010 VND</b>
<b>Joint ventures:</b>		
Dairy Cow Development Project	3,483,876,513	-
<b>Associates:</b>		
Miraka Limited	208,625,385,663	-
Asia Saigon Food Ingredients Joint Stock Company	8,283,190,000	-
	<u>220,392,452,176</u>	<u>-</u>

***iii) Loans granted***

	<b>2011 VND</b>	<b>2010 VND</b>
<b>Associates:</b>		
Asia Saigon Food Ingredients Joint Stock Company	18,000,000,000	-

**32 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)****(a) Related party transactions (continued)****iii) Loans granted (continued)**

The loan granted to Asia Saigon Food Ingredients Joint Stock Company bears interest at the rate of 15% per annum and repayable not later than 9 February 2012. At the date of approval of the financial statements, the loan has been fully repaid.

**iv) Capital contribution**

	<b>2011 VND</b>	<b>2010 VND</b>
<b>Associates:</b>		
Asia Saigon Food Ingredients Joint Stock Company	-	9,000,000,000
Miraka Limited	-	179,315,000,000
	<u>-</u>	<u>188,315,000,000</u>

**v) Dividends paid**

	<b>2011 VND</b>	<b>2010 VND</b>
<b>Major shareholder:</b>		
The State Capital Investment Corporation	333,984,000,000	834,960,000,000
	<u>333,984,000,000</u>	<u>834,960,000,000</u>

**v) Compensation of key management**

	<b>2011 VND</b>	<b>2010 VND</b>
Compensation to members of Board of Management and Board of Directors	46,632,287,016	41,545,628,000
	<u>46,632,287,016</u>	<u>41,545,628,000</u>

**(b) Year end balances with related parties**

	<b>2011 VND</b>	<b>2010 VND</b>
<b>Trade accounts payable (Note 13)</b>		
<b>Joint-ventures:</b>		
Dairy Cow Development Project	145,509,003	-
<b>Associates:</b>		
Miraka Limited	108,050,477,828	-
	<u>108,195,986,831</u>	<u>-</u>



**33 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").

	<b>Domestic</b>		<b>Export</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Sales revenue	18,854,564,315,218	14,096,108,021,031	2,772,864,577,891	1,656,757,978,394	<b>21,627,428,893,109</b>	<b>15,752,865,999,425</b>
Cost of sales	(12,815,260,529,233)	(9,249,543,881,741)	(2,224,044,849,131)	(1,329,664,247,456)	<b>(15,039,305,378,364)</b>	<b>(10,579,208,129,197)</b>
Segment income	<u>6,039,303,785,985</u>	<u>4,846,564,139,290</u>	<u>548,819,728,760</u>	<u>327,093,730,938</u>	<u><b>6,588,123,514,745</b></u>	<u><b>5,173,657,870,228</b></u>

**34 CAPITAL COMMITMENTS**

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

	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Buildings, factories, machineries and equipment	2,142,064,573,853	1,511,730,845,164

**35 COMMITMENTS UNDER OPERATING LEASES**

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

	<b>Land and warehouse rental</b>	
	<b>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Within 1 year	5,281,677,565	4,734,528,788
Between 1 and 5 years	21,133,710,260	18,938,115,151
Over 5 years	175,917,048,989	160,027,989,822
Total minimum payments	202,332,436,814	183,700,633,761

**36 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.

**36 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:

	<b>As at 31 December 2011</b>			
	<b>Original currency</b>		<b>Equivalent to VND</b>	
	<b>USD</b>	<b>EUR</b>	<b>USD</b>	<b>EUR</b>
<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	35,512,893	8,543,383	739,662,534,214	236,079,314,321
	<u>63,502,218</u>	<u>10,026,261</u>	<u>1,322,624,201,564</u>	<u>277,055,668,831</u>
<b>Financial liabilities</b>				
Trade and other payables	(43,076,331)	(12,606,518)	(897,193,813,131)	(348,355,921,842)
<b>Currency exposure</b>	<u>20,425,888</u>	<u>(2,580,257)</u>	<u>425,430,388,433</u>	<u>(71,300,253,011)</u>
<b>As at 31 December 2010</b>				
	<b>Original currency</b>		<b>Equivalent to VND</b>	
	<b>USD</b>	<b>EUR</b>	<b>USD</b>	<b>EUR</b>
<b>Financial assets</b>				
Cash and bank deposits	1,303,358	995	24,675,217,771	27,581,760
Trade and other receivables	10,943,931	8,863,926	207,190,508,231	245,787,809,045
	<u>12,247,289</u>	<u>8,864,921</u>	<u>231,865,726,002</u>	<u>245,815,390,805</u>
<b>Financial liabilities</b>				
Borrowings	(30,000,000)	-	(567,960,000,000)	-
Trade and other payables	(30,028,437)	(2,132,729)	(568,498,371,126)	(59,138,450,054)
	<u>(60,028,437)</u>	<u>(2,132,729)</u>	<u>(1,136,458,371,126)</u>	<u>(59,138,450,054)</u>
<b>Currency exposure</b>	<u>(47,781,148)</u>	<u>6,732,192</u>	<u>(904,592,645,124)</u>	<u>186,676,940,751</u>

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

At 31 December 2011, if the USD had strengthened/weakened by 10% against the VND with all other variables including tax rate being held constant, the Group's profit after tax for the financial year would have been VND27,451,861,885 higher/lower as a result of currency translation gains/losses on the remaining USD-denominated financial instruments.

At 31 December 2011, if the EUR had strengthened/weakened by 10% against the VND with all other variables including tax rate being held constant, the Group's profit after tax for the financial year would have been VND5,347,518,976 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 profit after tax would have been VND8,303,060,483 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 2011, 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.

**36 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. 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 VND1,353,317,082,254 (2010: VND709,847,091,276).

**(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>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
Past due 1 to 30 days	15,058,558,138	23,720,033,214
Past due 31 days to 60 days	287,717,434	345,829,102
Past due 61 days to 90 days	630,000	7,056,901,845
Past due over 90 days	3,727,445,863	29,762,308,581
	<b>19,074,351,435</b>	<b>60,885,072,742</b>

**36 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>2011</b>	<b>2010</b>
	<b>VND</b>	<b>VND</b>
<b>Carrying amount</b>		
Gross amount	3,582,467,962	630,581,164
Less: Allowance for impairment	(1,918,007,430)	(596,556,111)
	<u>1,664,460,532</u>	<u>34,025,053</u>
<b>Allowance for impairment</b>		
Beginning of financial year	596,556,111	663,172,889
Allowance made	1,833,346,777	(14,545,012)
Written-off	(511,895,458)	(52,071,766)
	<u>1,918,007,430</u>	<u>596,556,111</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 VND</b>	<b>Between 1 and 2 years VND</b>	<b>Between 2 and 5 years VND</b>
<b>As at 31 December 2011</b>			
Trade and other liabilities	2,312,706,740,902	92,000,000,000	-
	<u>2,312,706,740,902</u>	<u>92,000,000,000</u>	<u>-</u>
<b>As at 31 December 2010</b>			
Borrowings	567,960,000,000	-	-
Trade and other liabilities	1,556,078,140,913	-	92,000,000,000
	<u>2,124,038,140,913</u>	<u>-</u>	<u>92,000,000,000</u>

**36 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		
As at 31 December 2011					
Short-term investments					
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)
Other long-term investments					
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)
	420,623,505,592	17,736,131,208	(221,595,036,229)	216,764,600,571	(221,595,036,229)

## 36 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		
As at 31 December 2010					
Short-term investments					
Listed equity securities	24,993,771,792	39,538,150,708	(8,150,578,000)	56,381,344,500	(8,150,578,000)
Unlisted equity securities	82,283,660,000	-	(62,507,091,500)	19,776,568,500	(62,507,091,500)
Other long-term investments					
Listed equity securities	206,996,073,800	26,970,000	(80,353,639,400)	126,669,404,400	(80,353,639,400)
Investment funds	106,350,000,000	-	(28,226,445,148)	78,123,554,852	(28,226,445,148)
	420,623,505,592	39,565,120,708	(179,237,754,048)	280,950,872,252	(179,237,754,048)

Market value of equity securities listed on the Ho Chi Minh Stock Exchange is based on the close 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.



**37 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 2012.



\_\_\_\_\_  
Le Thanh Liem  
Chief Accountant



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Ngo Thi Thu Trang  
Executive Director - Finance



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Mai Kieu Lien  
Chief Executive Officer