

**Phu Nhuan Jewelry Joint Stock Company**

Consolidated financial statements

31 December 2012

# Phu Nhuan Jewelry Joint Stock Company

## GENERAL INFORMATION

### THE COMPANY

Phu Nhuan Jewelry Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 0300521758 issued by the Department of Planning and Investment of Ho Chi Minh City on 2 January 2004, as amended.

The Company was officially listed on the Ho Chi Minh City Stock Exchange ("HOSE") from 23 March 2009 pursuant to Decision No. 129/DKNY issued by the General Director of HOSE on 26 December 2008.

The Company's principal activities are to trade gold, silver, jewelry and gemstones, and to import and export jewelry in gold, silver and gemstones.

The Company's registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. In addition, the Company has one hundred and thirty one (131) retail shops located in various provinces in Vietnam.

### BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Mrs. Cao Thi Ngoc Dung	Chairwoman	
Mr. Nguyen Vu Phan	Vice Chairman	
Mrs. Nguyen Thi Cuc	Member	
Mr. Nguyen Tuan Quynh	Member	appointed on 14 April 2012
Mrs. Nguyen Thi Bich Ha	Member	appointed on 14 April 2012
Mr. Andy Ho	Member	appointed on 14 April 2012
Mrs. Pham Vu Thanh Giang	Member	appointed on 14 April 2012
Ms. Nguyen Thi Ngo	Member	resigned on 14 April 2012
Mr. Bui Viet	Member	resigned on 14 April 2012

### BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr. Pham Van Tan	Head of the Board of Supervision
Mrs. Nguyen Ngoc Hue	Member
Mr. Tran Van Dan	Member

### MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mrs. Cao Thi Ngoc Dung	General Director	
Mr. Le Huu Hanh	Deputy General Director	
Mrs. Nguyen Thi Cuc	Deputy General Director	
Mr. Nguyen Vu Phan	Deputy General Director	
Mrs. Pham Thi My Hanh	Deputy General Director	appointed on 26 March 2012
Mr. Nguyen Tuan Quynh	Deputy General Director	resigned on 20 July 2012

### LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mrs. Cao Thi Ngoc Dung.

### AUDITORS

The auditor of the Company is Ernst & Young Vietnam Limited.

# Phu Nhuan Jewelry Joint Stock Company

## REPORT OF MANAGEMENT

Management of Phu Nhuan Jewelry Joint Stock Company ("the Company") is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2012.

### MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated state of affairs of the Group and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It is 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.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2012 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with relevant statutory requirements.

For and on behalf of management



Cao Thị Ngọc Dung  
General Director

25 March 2013



Reference: 60984885/15611643

## INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Phu Nhuan Jewelry Joint Stock Company

We have audited the consolidated financial statements of Phu Nhuan Jewelry Joint Stock Company ("the Company") and its subsidiaries ("the Group") as set out on pages 4 to 40 which comprise the consolidated balance sheet as at 31 December 2012, and the consolidated income statement and the consolidated cash flow statement for the year then ended, and the notes thereto.

The preparation and presentation of these consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The Group's consolidated financial statements as at and for the year ended 31 December 2011 were audited by another auditor whose report dated 26 March 2012, expressed an unqualified opinion on those statements.

### *Basis of opinion*

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

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and System and comply with the relevant statutory requirements.



*Ernst & Young Vietnam Ltd.*  
Ernst & Young Vietnam Limited

*Mai Viet Hung Tran*

Mai Viet Hung Tran  
Deputy General Director  
Certificate No. D.0048/KTV

*Le Quang Minh*

Le Quang Minh  
Auditor  
Certificate No. 0426/KTV

Ho Chi Minh City, Vietnam

25 March 2013

CONSOLIDATED BALANCE SHEET  
As at 31 December 2012

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>1,342,948,159,392</b>	<b>1,605,037,461,093</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>468,655,700,806</b>	<b>454,113,948,194</b>
111	1. Cash		34,076,003,469	82,732,710,340
112	2. Cash equivalents		434,579,697,337	371,381,237,854
<b>120</b>	<b>II. Short-term investment</b>		-	<b>70,000,000,000</b>
121	1. Short-term investment		-	70,000,000,000
<b>130</b>	<b>III. Current accounts receivable</b>		<b>53,722,534,510</b>	<b>70,871,461,230</b>
131	1. Trade receivables	5	15,555,505,035	39,634,363,771
132	2. Advances to suppliers		10,110,406,855	9,061,955,750
135	3. Other receivables	6	35,808,841,279	22,790,855,759
139	4. Provision for doubtful debts	7	(7,752,218,659)	(615,714,050)
<b>140</b>	<b>IV. Inventories</b>	<b>8</b>	<b>791,136,127,118</b>	<b>968,915,039,630</b>
141	1. Inventories		791,136,127,118	968,915,039,630
<b>150</b>	<b>V. Other current assets</b>		<b>29,433,796,958</b>	<b>41,137,012,039</b>
151	1. Short-term prepaid expenses		9,800,584,428	20,780,523,529
152	2. Value-added tax deductibles		7,697,287,196	3,626,013,421
154	3. Tax and other receivables from the State		69,000,000	1,037,353,890
158	4. Other current assets	9	11,866,925,334	15,693,121,199
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>1,200,037,803,867</b>	<b>1,323,075,161,632</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>431,898,544,676</b>	<b>419,577,684,256</b>
221	1. Tangible fixed assets	10	141,328,725,256	114,426,075,356
222	Cost		228,464,773,059	201,160,654,826
223	Accumulated depreciation		(87,136,047,803)	(86,734,579,470)
227	2. Intangible fixed assets	11	279,551,935,394	279,199,924,767
228	Cost		280,112,851,451	279,869,348,563
229	Accumulated amortization		(560,916,057)	(669,423,796)
230	3. Construction in progress	12	11,017,884,026	25,951,684,133
<b>250</b>	<b>II. Long-term investments</b>	<b>13</b>	<b>760,781,225,093</b>	<b>712,435,781,858</b>
252	1. Investments in associates		258,339,816,693	258,315,155,708
258	2. Other long-term investments		513,241,408,400	475,245,158,400
259	3. Provision for long-term investments		(10,800,000,000)	(21,124,532,250)
<b>260</b>	<b>III. Other long-term assets</b>		<b>7,358,034,098</b>	<b>191,061,695,518</b>
261	1. Long-term prepaid expenses	14	6,681,494,466	188,628,499,090
262	2. Deferred tax assets	27.3	481,539,632	919,152,184
268	3. Other long-term asset		195,000,000	1,514,044,244
<b>270</b>	<b>TOTAL ASSETS</b>		<b>2,542,985,963,259</b>	<b>2,928,112,622,725</b>




CONSOLIDATED BALANCE SHEET (continued)  
As at 31 December 2012


VND


Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>A. LIABILITIES</b>		<b>1,301,246,946,986</b>	<b>1,771,024,241,138</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>1,130,464,996,486</b>	<b>973,411,782,490</b>
311	1. Short-term loans	15	1,008,230,455,000	604,356,835,868
312	2. Trade payables	16	52,168,925,843	123,648,989,802
313	3. Advances from customers		1,737,185,759	10,271,763,272
314	4. Statutory obligations	17	21,767,812,994	29,561,163,550
315	5. Payables to employees		7,999,497,651	46,402,734,297
316	6. Accrued expenses	18	3,329,829,410	8,431,746,109
319	7. Other payables	19	27,480,312,148	133,760,429,404
323	8. Bonus and welfare fund		7,750,977,681	16,978,120,188
<b>330</b>	<b>II. Non-current liabilities</b>		<b>170,781,950,500</b>	<b>797,612,458,648</b>
333	1. Other long-term liabilities		426,284,500	62,532,121,564
334	2. Long-term loans	20	170,355,666,000	730,658,754,727
336	3. Provision for severance allowance		-	4,421,582,357
<b>400</b>	<b>B. OWNERS' EQUITY</b>		<b>1,241,739,016,273</b>	<b>1,130,451,377,433</b>
<b>410</b>	<b>I. Capital</b>	<b>21</b>	<b>1,241,739,016,273</b>	<b>1,130,451,377,433</b>
411	1. Share capital		719,978,350,000	599,991,420,000
412	2. Share premium		105,021,650,000	225,008,580,000
414	3. Treasury shares		(7,090,000)	(7,090,000)
417	4. Investment and development fund		96,070,897,000	72,461,168,576
418	5. Financial reserve fund		46,376,732,783	35,866,235,360
420	6. Undistributed earnings		274,298,476,490	197,131,063,497
<b>439</b>	<b>C. MINORITY INTERESTS</b>		<b>-</b>	<b>26,637,004,154</b>
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,542,985,963,259</b>	<b>2,928,112,622,725</b>

## OFF BALANCE SHEET ITEM

ITEM	Ending balance	Beginning balance
Foreign currencies:		
▶ United States dollar ("US\$")	56,930	5,675,227
▶ Gold taels	9,949	6,816
▶ Australian dollar ("AUD")		39,999

  
Duong Quang Hai  
Preparer

  
Dang Thi Lai  
Chief Accountant

  
Cao Thi Ngoc Dung  
General Director

25 March 2013

CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2012

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods and rendering of services	22.1	6,777,869,795,148	18,038,055,458,855
02	2. Deductions	22.1	(61,026,428,725)	(74,214,987,083)
10	3. Net revenue from sale of goods and rendering of services	22.1	6,716,843,366,423	17,963,840,471,772
11	4. Cost of goods sold and services rendered	23	(6,118,336,274,620)	(17,225,520,872,828)
20	5. Gross profit from sale of goods and rendering of services		598,507,091,803	738,319,598,944
21	6. Finance income	22.2	120,569,293,310	64,754,928,074
22	7. Finance expenses	24	(91,405,694,428)	(125,534,692,551)
23	- In which: Interest expense		(101,497,808,442)	(103,995,485,100)
24	8. Selling expenses		(267,972,724,506)	(289,530,963,640)
25	9. General and administrative expenses		(89,631,912,787)	(98,126,294,532)
30	10. Operating profit		270,066,053,392	289,882,576,295
31	11. Other income	25	49,775,091,650	19,224,929,719
32	12. Other expenses	25	(20,041,344,299)	(1,607,851,780)
40	13. Other profit	25	29,733,747,351	17,617,077,939
45	14. Share of profit of associates		10,294,076,985	10,666,239,207
50	15. Profit before tax		310,093,877,728	318,165,893,441
51	16. Current corporate income tax expense	27.1	(55,247,602,683)	(60,742,590,596)
52	17. Deferred income tax expense	27.3	(437,612,552)	83,304,492
60	18. Net profit after tax		254,408,662,493	257,506,607,337
61	Attributable to: Minority interests		-	401,324,979
62	Equity holders of the Company		254,408,662,493	257,105,282,358
70	19. Earnings per share (VND/share)	21.4		
	Basic		3,534	4,285
	Diluted		-	3,571

Duong Quang Hai  
Preparer

Dang Thi Lai  
Chief Accountant

Cao Thi Ngoc Dung  
General Director

25 March 2013



CONSOLIDATED CASHFLOW STATEMENT  
for the year ended 31 December 2012

VND


Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Profit before tax</b>		<b>310,093,877,728</b>	<b>318,165,893,441</b>
	<i>Adjustments for:</i>			
02	Depreciation and amortization	10, 11	15,134,039,127	42,308,214,488
03	Provisions		(3,188,027,641)	12,113,142,484
04	Unrealised foreign exchange losses		31,596,846,638	85,681,898,050
05	Profits from investing activities		(105,602,734,355)	(68,950,357,648)
06	Interest expense	24	101,497,808,442	103,995,485,100
08	<b>Operating profit before changes in working capital</b>		<b>349,531,809,939</b>	<b>493,314,275,915</b>
09	Increase in receivables		(165,811,248,496)	(11,140,015,759)
10	Decrease (increase) in inventories		172,002,642,355	(217,205,994,746)
11	(Decrease) increase in payables		(141,420,759,807)	83,708,237,858
12	Decrease (increase) in prepaid expenses		192,926,943,725	(7,541,101,943)
13	Interest paid		(101,911,586,414)	(103,861,814,898)
14	Corporate income tax paid	27.2	(53,996,209,047)	(65,658,313,770)
16	Other cash outflows from operating activities		(56,348,884,453)	(17,387,942,365)
20	<b>Net cash flows from operating activities</b>		<b>194,972,707,802</b>	<b>154,227,330,292</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets		(70,213,384,150)	(115,655,063,956)
22	Proceeds from disposals of fixed assets		11,728,380,455	959,942,727
23	Bank term deposit		-	(70,000,000,000)
24	Collections from bank term deposit		70,000,000,000	-
25	Payments for investments in other entities		(38,020,910,985)	34,298,300,000
26	Proceeds from sale of investments in other entities		99,569,666,282	-
27	Interest and dividends received		53,764,811,788	47,508,585,919
30	<b>Net cash flows from (used in) investing activities</b>		<b>126,828,563,390</b>	<b>(102,888,235,310)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33	Drawdown of borrowings		3,427,905,909,708	8,767,143,927,774
34	Repayment of borrowings		(3,585,225,129,370)	(8,551,891,484,141)
35	Dividends paid to minority interest		-	(3,839,805,702)
36	Dividends paid	21.2	(149,965,528,175)	(150,183,653,750)




CONSOLIDATED CASHFLOW STATEMENT (continued)  
for the year ended 31 December 2012

VND

Code	ITEMS	Notes	Current year	Previous year
40	Net cash flows (used in) from financing activities		(307,284,747,837)	61,228,984,181
50	Net increase in cash and cash equivalents		14,516,523,355	112,568,079,163
60	Cash and cash equivalents at beginning of year		454,113,948,194	337,769,093,757
61	Impact of exchange rate fluctuation		25,229,257	3,776,775,274
70	Cash and cash equivalents at end of year	4	468,655,700,806	454,113,948,194

  
Duong Quang Hai  
Preparer

  
Dang Thi Lai  
Chief Accountant

  
Gao Thi Ngoc Dung  
General Director



25 March 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at and for the year ended 31 December 2012

**1. CORPORATE INFORMATION**

Phu Nhuan Jewelry Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 0300521758 issued by the Department of Planning and Investment of Ho Chi Minh City on 2 January 2004, as amended.

The Company was officially listed on the Ho Chi Minh City Stock Exchange ("HOSE") from 23 March 2009 pursuant to Decision No. 129/DKNY issued by the General Director of HOSE on 26 December 2008.

The Company's principal activities are to trade gold, silver, jewelry and gemstones, and to import and export jewelry in gold, silver and gemstones.

The Company's registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. In addition, the Company has one hundred and thirty one (131) retail shops located in various provinces in Vietnam.

The number of the Group's employees as at 31 December 2012 was 2,172 (31 December 2011: 2,045).

***Corporate structure***

The Company's corporate structure includes three subsidiaries, in which:

CAO Fashion Company Limited ("CFC"), a one-member limited liability company, was established in accordance with Business Registration Certificate No. 0309279212 issued by the Department of Planning and Investment of Ho Chi Minh City on 14 August 2009. CFC's registered head office is located at 170E Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. CFC's principal activities are to produce and trade fashion products, silver and gold jewelry, and arts and crafts products, and to import and export art and craft products.

PNJ Laboratory Company Limited ("PLC"), a one-member limited liability company, was established in accordance with Business Registration Certificate No. 0310521330 issued by the Department of Planning and Investment of Ho Chi Minh City on 16 December 2010. PLC's registered head office is located at 205 Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City, Vietnam. PLC's principal activities are to provide jewelry inspection and consultancy services.

During the year, the Company disposed 70% ownership interest in Dai Viet Energy Joint Stock Company ("DVC") to Totalgar Vietnam Limited ("Totalgaz") in accordance with the Share Transfer Agreement dated 21 December 2011.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

## 2. BASIS OF PREPARATION

### 2.1 *Accounting standards and system*

The consolidated financial statements of the Company and its subsidiaries ("the Group"), expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Accounting System and Vietnamese Accounting Standards ("VAS") issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated balance sheet, consolidated income statement, consolidated cash flow statement and related notes, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore 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 other than Vietnam.

### 2.2 *Applied accounting documentation system*

The Group's applied accounting documentation system is the General Journal system.

### 2.3 *Fiscal year*

The Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

### 2.4 *Accounting currency*

The consolidated financial statements are prepared in VND which is also the Group's accounting currency.

### 2.5 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continued to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses resulting from intra-company transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 *Change in accounting policies and disclosures*

The accounting policies adopted by the Group in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2011, except for effects of the change in the accounting policy in relation to foreign exchange rates.

For the year ended 31 December 2012, the Group adopts Circular No. 179/2012/TT-BTC providing guidance on recognition, measurement, treatment for foreign exchange differences issued by the Ministry of Finance on 24 October 2012 ("Circular 179") in addition to Vietnamese Accounting Standard No. 10 - Effects of Changes in Foreign Exchange Rates ("VAS 10") adopted in prior years.

Following Circular 179, at the end of the year, monetary assets and liabilities denominated in foreign currencies are translated into VND using buying exchange rate announced by the commercial bank where the Group maintains bank accounts. In 2011, inter-bank exchange rates ruling at the balance sheet date was used for this translation.

Circular 179 is applied from 2012 on a prospective basis. Impacts of the change from using inter-bank exchange rate to buying exchange rate announced by the commercial bank for the year end translation to the consolidated financial statements as at and for the year ended 31 December 2012 were not material as a whole.

#### 3.2 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks, gold and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

#### 3.3 *Receivables*

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases or decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

#### 3.4 *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Merchandises, consumables, and raw materials - cost of purchase on a weighted average basis.

Finished goods and work-in process - cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 *Inventories (continued)*

##### *Provision for obsolete inventories*

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of merchandise goods, raw materials, finished goods, and other inventories owned by the Group, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.

#### 3.5 *Fixed assets*

Tangible and intangible fixed assets are stated at cost less accumulated depreciation and amortization.

The cost of a fixed asset comprises its purchase price and any directly attributable costs of bringing the fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When fixed assets are sold or retired, their cost and accumulated depreciation or amortization are removed from the consolidated balance sheet and any gain or loss resulting from their disposal is included in the consolidated income statement.

##### *Land use right*

Land use right is recorded as an intangible fixed asset on the consolidated balance sheet when the Group obtained the land use right certificates. The costs of land use right comprise all directly attributable costs of bringing the land to the condition available for intended use and is not amortized due to having indefinite useful life.

#### 3.6 *Depreciation and amortization*

Depreciation and amortization of tangible and intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	3 - 25 years
Machinery and equipment	3 - 15 years
Means of transportation	4 - 10 years
Office equipment	3 - 8 years
Computer software	3 years

The useful life of the fixed assets and depreciation rates are reviewed periodically to ensure that the method and the year of the depreciation and amortization are consistent with the expected pattern of economic benefits that will be derived from the use of fixed assets.

#### 3.7 *Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and are recorded as expense during the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Prepaid expenses**

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortized over the period for which the amounts are paid or the year in which economic benefits are generated in relation to these expenses.

The following types of expenses are recorded as long-term prepaid expense and are amortised to the consolidated income statement.

- ▶ Prepaid rental includes land and shop rental prepaid for many years under operating lease contracts and are amortized over the lease term;
- ▶ Tools and consumables with large value issued in use and can be used for more than one year; and
- ▶ Others are amortized to the consolidated income statement over 2 to 3 years.

**3.9 Investments in associates**

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence that is neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have from 20% or above of the voting rights.

Under the equity method, the investment is carried in the interim consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment and is amortized over a 10-year period. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

The share of post-acquisition profit (loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividend/profit sharing received on receivable from associates reduces the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting year as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

**3.10 Investments in securities and other investments**

Investments in securities and other investments are stated at their acquisition costs. Provision is made for any diminution in value of the marketable investments at the balance sheet date representing the excess of the acquisition cost over the market value at that date in accordance with the guidance under Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009. Increases and decreases to the provision balance are recorded as finance expense in the consolidated income statement.

**3.11 Payables and accruals**

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

**3.13 Foreign currency transactions**

The Group follows the guidance under VAS 10 in relation to foreign currency transactions as applied consistently in prior years. In addition to VAS 10, starting from the financial year 2012, the Group adopts Circular 179 in relation to foreign currency transaction which impacts are presented in Note 3.1.

Transactions in currencies other than the Group's reporting currency of VND are recorded at the exchange rates ruling at the date of the transaction. At the end of the year, monetary assets and liabilities denominated in foreign currencies are translated at buying exchange rate announced by the commercial bank where the Group maintains bank accounts at the balance sheet date. All realised and unrealised foreign exchange differences are taken to the consolidated income statement.

**3.14 Treasury shares**

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Group's own equity instruments.

**3.15 Appropriation of net profits**

Net profit after tax is available for appropriation to shareholders after approval in the shareholders' annual general meeting, and after making appropriation to reserve funds in accordance with the Group's Charter and Vietnam's regulatory requirements.

The Group maintains the following reserve funds which are appropriated from the Group's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting.

▶ Financial reserve fund

This fund is set aside to protect the Group's normal operations from business risks or losses, or to prepare for unforeseen losses or damages for objective reasons and force majeure, such as fire, economic and financial turmoil of the country or elsewhere.

▶ Investment and development fund

This fund is set aside for use in the Group's expansion or upgrading of its operation.

▶ Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits and is recognised as a liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.16 *Earnings per share*

Basic earnings per share amounts are calculated by dividing net profit after tax for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

#### 3.17 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

##### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

##### *Rendering of services*

Revenue is recognised when the service has been rendered.

##### *Interest*

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

##### *Dividends*

Revenue is recognised when the Group is entitled to receive dividends.

#### 3.18 *Taxation*

##### *Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the consolidated balance sheet date.

Current income tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Group to offset current income tax assets against current income tax liabilities and when the Group intends to settle its current income tax assets and liabilities on a net basis.

##### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.18 *Taxation* (continued)

##### *Deferred income tax* (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except where the deferred income tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Previously unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred income tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred income tax is also dealt with in the equity account.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right for the Group to offset current income tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Group intends either settle current income tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

#### 3.19 *Segment information*

A segment is a component determined separately by the Group which is engaged in providing products or related services (business segment), or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments. As the Group's revenue and profit are derived mainly from development and trading of gold, silver, jewelry, accessories and gemstone; trading gasoline and gas cylinders; and provision of jewelry inspection service. Geographical segment of the Company is in Vietnam only.

#### 3.20 *Financial instruments*

##### *Financial instruments – initial recognition and presentation*

##### Financial assets

Financial assets within the scope of Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 6 November 2009, providing guidance for the adoption in Vietnam of the International Financial Reporting Standards on presentation and disclosures of financial instruments ("Circular 210") are classified, for disclosures in the notes to the consolidated financial statements, as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at cost plus directly attributable transaction costs.

The Group's financial assets include cash, cash equivalents, and trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.20 Financial instruments**

Financial liabilities

Financial liabilities within the scope of Circular 210 are classified, for disclosures in the notes to the consolidated financial statements, as financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at cost plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

*Financial instruments – subsequent re-measurement*

There is currently no guidance in relation to subsequent re-measurement of financial instruments. Accordingly, the financial instruments are subsequently re-measured at cost.

*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4. CASH AND CASH EQUIVALENTS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	23,152,070,852	32,008,316,053
Cash in banks	9,520,161,117	50,516,469,287
Cash in transit	1,403,771,500	207,925,000
Cash equivalents	434,579,697,337	371,381,237,854
<b>TOTAL</b>	<b><u>468,655,700,806</u></b>	<b><u>454,113,948,194</u></b>

Cash equivalents represent gold taels that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

**5. TRADE RECEIVABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due from third parties	15,555,505,035	39,634,363,771
Provision for doubtful debts	-	(615,714,050)
<b>NET</b>	<b><u>15,555,505,035</u></b>	<b><u>39,018,649,721</u></b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012**6. OTHER RECEIVABLES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due from third parties	24,259,966,279	22,790,855,759
Due from related parties (Note 28)	11,548,875,000	-
<b>TOTAL</b>	<b>35,808,841,279</b>	<b>22,790,855,759</b>
Provision for doubtful debts	(7,752,218,659)	-
<b>NET</b>	<b>28,056,622,620</b>	<b>22,790,855,759</b>

**7. PROVISION FOR DOUBTFUL DEBTS**

	VND	
	<i>Current year</i>	<i>Previous year</i>
Provision for doubtful debts at beginning of year	(615,714,050)	-
Add: Provision created during the year	(7,752,218,659)	(615,714,050)
Less: Reversal of provision during the year	615,714,050	-
Provision for doubtful debts at end of year	<b>(7,752,218,659)</b>	<b>(615,714,050)</b>

**8. INVENTORIES**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Merchandise goods	665,769,608,019	826,969,663,077
Goods on consignment	47,055,030,564	62,759,983,676
Finished goods	46,328,191,292	45,958,641,939
Raw materials	13,052,985,948	14,259,449,585
Tools and supplies	11,987,400,954	5,240,245,599
Goods in transit	4,489,399,213	8,424,569,033
Work in process	2,453,511,128	5,302,486,721
<b>TOTAL</b>	<b>791,136,127,118</b>	<b>968,915,039,630</b>

**9. OTHER CURRENT ASSETS**

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term rental deposits	10,584,747,261	15,098,087,896
Advances to employees	1,282,178,073	595,033,303
<b>TOTAL</b>	<b>11,866,925,334</b>	<b>15,693,121,199</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for year ended 31 December 2012

10. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Total	VND
<b>Cost:</b>						
Beginning balance	73,738,774,635	92,282,053,254	13,760,874,430	21,378,952,507	201,160,654,826	
Addition	423,635,012	9,788,616,966	4,973,803,784	-	15,186,055,762	
Transfer from construction in progress	66,252,332,096	3,139,892,014	-	-	69,392,224,110	
Disposed	(9,140,893,323)	(12,000,000)	(48,632,690)	(275,296,636)	(9,476,822,649)	
Decrease from disposal of a subsidiary	(22,099,230,472)	(16,098,549,373)	(81,015,863)	(9,518,543,282)	(47,797,338,990)	
Ending balance	109,174,617,948	89,100,012,861	18,605,029,661	11,585,112,589	228,464,773,059	
<b>Accumulated depreciation:</b>						
Beginning balance	11,659,844,831	53,715,512,649	8,784,349,884	12,574,872,106	86,734,579,470	
Depreciation for the year	1,934,342,422	8,757,874,154	1,709,730,757	712,390,300	13,114,337,633	
Disposed	(700,801,812)	(11,600,000)	(37,777,589)	(275,296,636)	(1,025,476,037)	
Decrease from disposal of a subsidiary	(3,170,568,099)	(4,544,425,525)	(49,200,509)	(3,923,199,130)	(11,687,393,263)	
Ending balance	9,722,817,342	57,917,361,278	10,407,102,543	9,088,766,640	87,136,047,803	
<b>Net carrying amount:</b>						
Beginning balance	62,078,929,804	38,566,540,605	4,976,524,546	8,804,080,401	114,426,075,356	
Ending balance	99,451,800,606	31,182,651,583	8,197,927,118	2,496,345,949	141,328,725,256	

The buildings and machinery with their respective carrying amounts of VND 15,650,554,151 and VND 1,069,750,326 were pledged to obtain loans from commercial banks (Note 20).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

## 11. INTANGIBLE FIXED ASSETS

	VND		
	<i>Indefinite land use right</i>	<i>Computer software</i>	<i>Total</i>
<b>Cost:</b>			
Beginning balance	279,000,379,838	868,968,725	279,869,348,563
Addition	-	620,500,000	620,500,000
Decrease from disposal of a subsidiary	-	(376,997,112)	(376,997,112)
Ending balance	<u>279,000,379,838</u>	<u>1,112,471,613</u>	<u>280,112,851,451</u>
<b>Accumulated amortization:</b>			
Beginning balance	-	669,423,796	669,423,796
Amortization for the year	-	92,215,912	92,215,912
Decrease from disposal of a subsidiary	-	(200,723,651)	(200,723,651)
Ending balance	<u>-</u>	<u>560,916,057</u>	<u>560,916,057</u>
<b>Net carrying amount:</b>			
Beginning balance	<u>279,000,379,838</u>	<u>199,544,929</u>	<u>279,199,924,767</u>
Ending balance	<u>279,000,379,838</u>	<u>551,555,556</u>	<u>279,551,935,394</u>

Land use right with the carrying amount of VND 166,099,851,738 was pledged to obtain loans from commercial banks (Note 20).

## 12. CONSTRUCTION IN PROGRESS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
X Man software project	5,306,686,270	-
Duong Quang Ham factory project	4,338,807,956	20,556,149,133
Silver and gold jewelry center	850,821,000	2,095,535,000
Thu Khoa Huan commercial shopping center	521,568,800	3,300,000,000
<b>TOTAL</b>	<u><b>11,017,884,026</b></u>	<u><b>25,951,684,133</b></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 13. LONG-TERM INVESTMENTS

#### 13.1 Investments in associates

Name	Ending balance		Beginning balance		VND
	Cost of investment	% of interest	Cost of investment	% of interest	
Saigon Fuel Joint Stock Company	126,537,586,088	49.99	127,147,943,587	49.99	
Dong A Land Joint Stock Company	131,802,230,605	30.62	131,167,212,121	30.62	
<b>TOTAL</b>	<b>258,339,816,693</b>		<b>258,315,155,708</b>		

	Current year	Previous year	VND
Cost of investment in associates	230,474,829,680	230,474,829,680	
Accumulated share in post-acquisition profit of the associate	38,134,403,013	32,975,034,028	
Dividends received	(10,269,416,000)	(5,134,708,000)	
<b>TOTAL</b>	<b>258,339,816,693</b>	<b>258,315,155,708</b>	

Saigon Fuel Joint Stock Company ("SFC") is a shareholding company established in accordance with Business Registration Certificate No. 0300631013 issued by the Department of Planning and Investment of Ho Chi Minh City on 20 June 2000. SFC's registered head office is located at 1A Pham Ngoc Thach Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam. SFC's principal activities are to trade oil and gas products, to trade tools, supplies and machineries for oil and gas, to produce and trade agriculture products, to import, produce and trade wooden products; and to provide transportation service, rental and construction services. SFC was officially listed on the HOSE on 21 September 2004.

Dong A Land Joint Stock Company ("DAL") is a shareholding company established in accordance with Business Registration Certificate No. 4103001739 issued by the Department of Planning and Investment of Ho Chi Minh City on 24 July 2003. DAL's registered head office is located at 43R/12, Ho Van Hue Street, Ward 9, Phu Nhuan District, Ho Chi Minh City, Vietnam. DAL's principal activities are to provide design services, project management, construction services, to provide real estate consulting services and real estate agency, and to trade houses and interior products.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

**13. LONG-TERM INVESTMENTS (continued)**

**13.2 Other long-term investments**

Name	Ending balance		Beginning balance	
	Number of shares	Cost of investment VND	Number of shares	Cost of investment VND
Dong A Joint Stock Commercial Bank (DAB) (i)	42,345,875	395,271,613,400	34,646,625	356,775,363,400
Saigon M&C Real Estate Joint Stock Company	2,615,215	65,380,375,000	2,615,215	65,380,375,000
Que huong Liberty Joint Stock Company	916,662	42,499,920,000	916,662	42,499,920,000
Hoang Minh Giam project (ii)		10,089,500,000		10,089,500,000
Others		-		500,000,000
<b>TOTAL</b>		<b>513,241,408,400</b>		<b>475,245,158,400</b>
Provision for long-term investments		(10,800,000,000)		(21,124,532,250)
<b>NET</b>		<b>502,441,408,400</b>		<b>454,120,626,150</b>

(i) DAB's shares were pledged to obtain loans from commercial banks (Notes 15 & 20).

(ii) This represents the Group's advance under Business Cooperation Contract with Vietnam Festival Travel Company Limited and Dong A Land Joint Stock Company to develop a real estate project located at 8 Hoang Minh Giam Street, Phu Nhuan District, Ho Chi Minh City, Vietnam.

**13.3 Provision for long-term investments**

	VND	
	Current year	Previous year
Provision for long-term investments at beginning of year	21,124,532,250	10,800,000,000
Add: Provision created during the year	-	10,324,532,250
Less: Reversal of provision during the year	(10,324,532,250)	-
Provision for long-term investments at end of year	<u>10,800,000,000</u>	<u>21,124,532,250</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

## 14. LONG TERM PREPAID EXPENSES

	VND	
	Ending balance	Beginning balance
Office and retail shop renovation cost	5,404,424,785	2,956,937,434
Retail shop rental	912,555,834	-
Gasoline cylinders	-	149,792,511,796
Land rental	-	29,670,699,997
Other	364,513,847	6,208,349,863
<b>TOTAL</b>	<b>6,681,494,466</b>	<b>188,628,499,090</b>

## 15. SHORT-TERM LOANS

	VND	
	Ending balance	Beginning balance
Short-term loans from banks	383,351,676,000	382,335,248,000
Short-term loans from individuals	56,808,906,400	87,778,231,372
Current portion of long-term loans (Note 20)	568,069,872,600	134,243,356,496
<b>TOTAL</b>	<b>1,008,230,455,000</b>	<b>604,356,835,868</b>

Details of short-term loans from banks are as follows:

Banks	Ending balance VND	Maturity date	Purpose	Interest rate	Description of Collateral
Military Commercial Joint Stock Bank – Northern Sai Gon Branch	35,000,000,000	From 25 December 2012 to 27 February 2013	To finance working capital	10% p.a	Unsecured
Vietnam Jointstock Commercial Bank for Industry and Trade – Ho Chi Minh Branch	74,025,000,000	From 29 October 2012 to 19 March 2013	To finance working capital	9.5% p.a.	Unsecured
Vietnam Export Import Commercial Joint Stock Bank - Main transaction office No.1	75,000,000,000	From 13 September 2012 to 10 January 2013	To finance working capital	9% p.a	The Group's DAB shares
Bank for Foreign Trade of Vietnam – Ho Chi Minh Branch	189,600,000,000	From 3 October 2012 to 26 March 2013	To finance working capital	From 9.8 p.a % to 10.5% p.a	Unsecured
	5,561,076,000	From 27 November 2012 to 3 March 2013	To finance working capital	6% p.a	Unsecured
Asia Commercial Joint Stock Bank – Main transaction office	4,165,600,000	From 25 April 2012 to 29 April 2013	To finance working capital	6.5% p.a.	The Group's DAB shares
<b>TOTAL</b>	<b>383,351,676,000</b>				



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012**15. SHORT-TERM LOANS (continued)**

Details of individuals loans are as follows:

	<i>Ending balance</i>	<i>Maturity date</i>	<i>Purpose</i>	<i>Interest</i>	<i>Description of Collateral</i>
	<i>VND</i>				
Individuals – in VND	<u>56,808,906,400</u>	From 31 Aug 2012 to 29 Dec 2013	To finance working capital	From 8% p.a to 14% p.a	Unsecured

**16. TRADE PAYABLES**

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Due to third parties	51,535,711,230	119,165,943,802
Due to related parties (Note 28)	633,214,613	4,483,046,000
<b>TOTAL</b>	<u><b>52,168,925,843</b></u>	<u><b>123,648,989,802</b></u>

**17. STATUTORY OBLIGATIONS**

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Corporate income tax (Note 27.2)	12,811,414,276	11,560,020,640
Value-added tax	8,832,086,394	17,490,372,400
Others	124,312,324	510,770,510
<b>TOTAL</b>	<u><b>21,767,812,994</b></u>	<u><b>29,561,163,550</b></u>

**18. ACCRUED EXPENSES**

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Interest expense	1,805,807,176	2,219,585,148
Retail shop rental	233,035,000	233,035,000
Advertising and promotion	241,437,027	5,441,527,292
Others	1,049,550,207	537,598,669
<b>TOTAL</b>	<u><b>3,329,829,410</b></u>	<u><b>8,431,746,109</b></u>

**19. OTHER PAYABLES**

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Trade union fee	5,178,029,799	-
Social and health insurance	715,570,456	4,088,047,249
Dividends payable	184,686,525	60,254,310,200
Payable to related parties	-	2,126,094,704
Deposits received from transfer of shares	-	52,500,000,000
Others	21,402,025,368	14,791,977,251
<b>TOTAL</b>	<u><b>27,480,312,148</b></u>	<u><b>133,760,429,404</b></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

## 20. LONG-TERM LOANS

	<i>Ending balance</i>	<i>Beginning balance</i>
	<i>VND</i>	
Loans from banks	<u>738,425,538,600</u>	<u>864,902,111,223</u>
<i>In which</i>		
<i>Current portion of long-term loans (Note 15)</i>	568,069,872,600	134,243,356,496
<i>Non-current portion</i>	170,355,666,000	730,658,754,727

Details of the long-term loans from the banks are as follows:

<i>Banks</i>	<i>Ending balance</i>	<i>Maturity date</i>	<i>Purpose</i>	<i>Interest</i>	<i>Description of Collateral</i>
	<i>VND</i>				
Asia Commercial Joint Stock Bank – Main Transaction office	349,447,520,000	29 April 2013	To finance working capital	4.2% p.a.	The Group's DAB shares
	217,652,600	7 June 2013	To finance working capital	7.0% p.a.	Machinery and equipment
Dong A Commercial Joint Stock Bank	170,355,666,000	29 April 2015	To finance working capital	4% p.a.	Land use right of 1 and lot located at 577 Nguyen Kiem Street, Ward 9, Phu Nhuan District; 52A- 52B Nguyen Van Troi Street, Ward 15, Phu Nhuan District, and 174 Le Thanh Ton Street, Ben Thanh Ward, District 1, building and structures
Saigon Thuong Tin Commercial Joint Stock Bank – Sai Gon Branch	218,404,700,000	29 April 2013	To finance working capital	4.2% p.a.	Land use rights of land lot located at 18-20 Thu Khoa Huan Street, Ben Thanh Ward, District 1
<b>TOTAL</b>	<u><b>738,425,538,600</b></u>				



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

## 21. OWNERS' EQUITY

21.1 *Movements in owners' equity*

	Share capital	Share premium	Treasury shares	Investment and development fund	Financial reserve fund	Undistributed earnings	VND Total
<b>For the year ended 31 December 2011:</b>							
Beginning balance	599,991,420,000	225,008,580,000	(7,090,000)	52,461,168,576	25,704,156,577	143,727,744,639	1,046,885,979,792
Net profit for the year	-	-	-	-	-	257,105,282,358	257,105,282,358
Dividend declared	-	-	-	-	-	(149,996,082,500)	(149,996,082,500)
Appropriation of profit	-	-	-	20,000,000,000	10,327,760,000	(30,327,760,000)	-
Utilisation of funds	-	-	-	-	(165,681,217)	-	(165,681,217)
Transfer to bonus and welfare fund	-	-	-	-	-	(23,378,121,000)	(23,378,121,000)
Ending balance	<u>599,991,420,000</u>	<u>225,008,580,000</u>	<u>(7,090,000)</u>	<u>72,461,168,576</u>	<u>35,866,235,360</u>	<u>197,131,063,497</u>	<u>1,130,451,377,433</u>
<b>For the year ended 31 December 2012:</b>							
Beginning balance	599,991,420,000	225,008,580,000	(7,090,000)	72,461,168,576	35,866,235,360	197,131,063,497	1,130,451,377,433
Capital increase	119,986,930,000	(119,986,930,000)	-	-	-	-	-
Net profit for the year	-	-	-	-	-	254,408,662,493	254,408,662,493
Dividend declared	-	-	-	-	-	(89,997,649,500)	(89,997,649,500)
Appropriation of profit	-	-	-	45,000,000,000	12,085,000,000	(62,785,000,000)	(5,700,000,000)
Disposal of a subsidiary	-	-	-	(21,390,271,576)	(1,574,502,577)	-	(22,964,774,153)
Transfer to bonus and welfare fund	-	-	-	-	-	(24,458,600,000)	(24,458,600,000)
Ending balance	<u>719,978,350,000</u>	<u>105,021,650,000</u>	<u>(7,090,000)</u>	<u>96,070,897,000</u>	<u>46,376,732,783</u>	<u>274,298,476,490</u>	<u>1,241,739,016,273</u>

The Company has issued 11,998,693 bonus shares to its existing shareholders taken from its share premium in accordance with Shareholders Meeting Minutes No. 514/2012/BB-DHDCD-CITY dated 14 April 2012 and Resolution No. 2012/2012/NQ-HDQT-CITY dated 20 July 2012 of the Board of Directors. Accordingly, the Company's share capital increased from VND 599,991,420,000 to VND 719,978,350,000. This increase was approved by the State Securities Commission of Vietnam and the Department of Planning and Investment of Ho Chi Minh City through the issuance of amended Business Registration Certificate dated 3 October 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**21. OWNERS' EQUITY (continued)**

**21.2 Capital transactions with owners and distribution of dividends**

	Ending balance	VND Beginning balance
<b>Contributed share capital</b>		
Beginning balance	599,991,420,000	599,991,420,000
Increase	119,986,930,000	-
Ending balance	<u>719,978,350,000</u>	<u>599,991,420,000</u>
Dividends paid	149,965,528,175	150,183,653,750
Dividends declared	89,997,649,500	149,996,082,500

**21.3 Shares – ordinary shares**

	Current year Number of shares	Previous year Number of shares
Shares authorised to be issued	71,997,835	59,999,142
Shares issued and fully paid		
<i>Ordinary shares</i>	71,997,835	59,999,142
Treasury shares		
<i>Ordinary shares</i>	(709)	(709)
Shares in circulation		
<i>Ordinary shares</i>	71,997,126	59,998,433

**21.4 Earnings per share**

The following table shows the income and share data used in the basic and diluted earnings per share calculations:

	Current year	Previous year
Net profit attributable to ordinary equity holders of the Company during the year for basic earnings per share	<u>254,408,662,493</u>	<u>257,105,282,358</u>
Weighted average number of ordinary shares	71,997,835	59,998,433
Number of bonus shares issued	-	<u>11,998,693</u>
Adjusted weighted average number of ordinary shares for basic earnings per share	<u>71,997,835</u>	<u>71,997,835</u>
<b>Basic earnings per share (VND/share)</b>	3,534	4,285
<b>Diluted earnings per share</b>	<u>-</u>	<u>3,571</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**22. REVENUE****22.1 Revenue from sale of goods and rendering of services**

	VND	
	Current year	Previous year
<b>Gross revenue</b>	<b>6,777,869,795,148</b>	<b>18,038,055,458,855</b>
<i>Of which:</i>		
<i>Sale of gold, silver and gemstone</i>	6,441,007,227,886	17,376,881,158,771
<i>Sale of accessories</i>	6,179,536,363	6,702,380,646
<i>Sale of gasoline and gas cylinders</i>	314,717,065,705	648,879,459,187
<i>Laboratory</i>	15,965,965,194	5,592,460,251
<b>Less</b>		
<i>Sales discount</i>	(5,824,786,666)	(45,125,502)
<i>Sales returns</i>	-	(3,663,788,710)
<i>Indirect tax</i>	(55,201,642,059)	(70,506,072,871)
<b>Net revenues</b>	<b>6,716,843,366,423</b>	<b>17,963,840,471,772</b>
<i>Of which:</i>		
<i>Sale of gold, silver and gemstone</i>	6,379,980,799,161	17,302,666,171,688
<i>Sale of accessories</i>	6,179,536,363	6,702,380,646
<i>Rendering of services</i>	15,965,965,194	5,592,460,251
<i>Sale of gasoline and gas cylinders</i>	314,717,065,705	648,879,459,187

**22.2 Finance income**

	VND	
	Current year	Previous year
Dividends earned	57,267,924,000	53,116,224,050
Gains on disposal of DVC	52,686,293,791	2,055,522,670
Interest income	7,967,148,225	2,809,196,252
Foreign exchange gains	1,171,927,294	6,095,535,024
Others	1,476,000,000	678,450,078
<b>TOTAL</b>	<b>120,569,293,310</b>	<b>64,754,928,074</b>

**23. COST OF GOODS SOLD AND SERVICES RENDERED**

	VND	
	Current year	Previous year
Cost of gold, silver and gemstone	5,820,742,004,874	16,645,023,237,523
Cost of gasoline and gas cylinders	289,762,142,689	573,461,320,575
Cost of accessories	4,918,471,330	4,297,621,399
Cost of service rendered	2,913,655,727	2,738,693,331
<b>TOTAL</b>	<b>6,118,336,274,620</b>	<b>17,225,520,872,828</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012**24. FINANCE EXPENSES**

	<i>VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Interest expense	101,497,808,442	103,995,485,100
Realised foreign exchange losses	232,580,236	10,111,164,168
Reversal of provision during the year	(10,324,694,250)	10,324,532,250
Others	-	1,103,511,033
<b>TOTAL</b>	<b>91,405,694,428</b>	<b>125,534,692,551</b>

**25. OTHER INCOME AND EXPENSES**

	<i>VND</i>	
	<i>Current year</i>	<i>Previous year</i>
<b>Other income</b>	<b>49,775,091,650</b>	<b>19,224,929,719</b>
Proceeds from disposal of land lease contract	16,275,890,000	-
Proceeds from disposal of tangible fixed assets	11,728,380,455	959,942,727
Proceeds from transfer of retail gas distribution system	9,950,000,000	11,130,325,670
Others	11,820,821,195	7,134,661,322
<b>Other expenses</b>	<b>(20,041,344,299)</b>	<b>(1,607,851,780)</b>
Net book value of disposed fixed assets	(11,455,091,511)	(532,659,779)
Net book value of disposed land lease contract	(7,063,200,000)	(431,215,096)
Others	(1,523,052,788)	(643,976,905)
<b>NET</b>	<b>29,733,747,351</b>	<b>17,617,077,939</b>

**26. PRODUCTION AND OPERATING COSTS**

	<i>VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Raw materials	6,142,532,421,096	17,136,011,147,989
Labour costs	158,640,674,769	224,896,006,746
Depreciation and amortization	15,134,039,127	42,308,214,488
Expenses for external services	105,130,025,013	74,492,678,948
Others	40,260,846,404	135,470,081,827
<b>TOTAL</b>	<b>6,461,698,006,409</b>	<b>17,613,178,129,998</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 27. CORPORATE INCOME TAX

The Group has the obligation to pay corporate income tax ("CIT") at the rate of 25% of taxable profits.

The tax returns filed by Group are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could change at a later date upon final determination by the tax authorities.

### 27.1 CIT expense

	VND	
	Current year	Previous year
Current CIT expense	54,566,752,261	60,608,358,407
Adjustment for under accrual of tax from prior years	680,850,422	134,232,189
<b>TOTAL</b>	<b>55,247,602,683</b>	<b>60,742,590,596</b>

### 27.2 Current CIT

The current tax payable is based on taxable profit for the year. The taxable profit of the Group for the year differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at balance sheet date.

A reconciliation between the profit before tax on the consolidated income statement and taxable profit is presented below:

	VND	
	Current year	Previous year
<b>Profit before tax</b>	<b>310,093,877,728</b>	<b>318,165,893,441</b>
<b>Adjustments:</b>		
Non-deductible expenses	4,689,985,002	4,412,610,268
Change in accrued expense	2,047,244,203	-
Dividends earned	(57,267,924,000)	(65,837,985,928)
Disposal its subsidiary	(7,717,231,764)	-
Reversal provision from associates	(19,487,170,728)	(13,053,691,104)
Share of profits of associates	(10,294,076,985)	-
Change in severance allowance	(3,765,452,000)	-
Unrealised profit	(438,518,092)	-
Unrealised foreign exchange gains	406,275,680	-
Others	-	(1,586,611,016)
<b>Estimated current taxable profit</b>	<b>218,267,009,044</b>	<b>242,100,215,661</b>
<b>Estimated current CIT</b>	<b>54,566,752,261</b>	<b>60,525,053,915</b>
Adjustment for under accrual of tax from prior years	680,850,422	134,232,189
CIT payable at beginning of year	11,560,020,640	16,559,048,306
CIT paid during the year	(53,996,209,047)	(65,658,313,770)
<b>CIT payable at end of year</b>	<b>12,811,414,276</b>	<b>11,560,020,640</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 27. CORPORATE INCOME TAX (continued)

### 27.3 *Deferred CIT*

The following are the deferred tax assets and liabilities recognized by the Group, and the movements thereon, during the current and prior reporting year.

	<i>Consolidated balance sheet</i>		<i>Consolidated income statement</i>		<i>VND</i>
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>	
Unrealised profit	-	109,629,523	(109,629,523)	83,304,492	
Severance allowance	-	941,363,000	(941,363,000)	-	
Accrued expense	511,811,051	-	511,811,051	-	
Unrealised foreign exchange gains	(30,271,419)	(131,840,339)	101,568,920	-	
<b>Deferred tax assets</b>	<b>481,539,632</b>	<b>919,152,184</b>			
<b><i>Net deferred income tax income credit to consolidated income statement</i></b>			<b>(437,612,552)</b>	<b>83,304,492</b>	

## 28. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transactions</i>	<i>VND</i>
			<i>Amount</i>
Dong A Joint Stock Commercial Bank	Related party	Dividends	65,828,587,500
Dong A Land Joint Stock Company	Associate	Construction service	12,326,254,537
Que huong Liberty Joint Stock Company	Related party	Dividend received	1,833,324,000

Remuneration to members of the Board of Directors and Management:

	<i>VND</i>
	<i>Current year</i>
	<i>Previous year</i>
Salaries and bonus	8,550,763,719
	7,653,580,277



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 28. TRANSACTIONS WITH RELATED PARTIES (continued)

The outstanding balances due from and due to related parties as at 31 December 2012 were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transactions</i>	<i>VND</i>
			<i>Receivable (Payable)</i>
<b><i>Other receivable</i></b>			
Dong A Joint Stock Commercial Bank	Related party	Dividend	<u>11,548,875,000</u>
<b><i>Trade payable</i></b>			
Dong A Land Joint Stock Company	Related party	Service rendering	(631,214,613)
Dong A Joint Stock Commercial Bank	Related party	Service rendering	(2,000,000)
			<u><b>(633,214,613)</b></u>

## 29. OPERATING LEASE COMMITMENTS

The Group leases outlets under operating lease arrangements. Future rental amounts due under such operating leases after 31 December 2012 were as follows:

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Within 1 year	33,833,398,293	21,192,355,804
From 1 to 5 years	40,650,436,881	45,621,374,261
Over 5 years	<u>10,492,878,800</u>	<u>37,835,623,916</u>
<b>TOTAL</b>	<u><b>84,976,713,974</b></u>	<u><b>104,649,353,981</b></u>

## 30. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is principally engaged in trading gold, silver, jewelry, accessories and gemstone; trading gasoline and gas cylinders; and provision of jewelry inspection service.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between business segments. Those transfers are eliminated in preparation of consolidated financial statements.

The Group operates in one geographical segment which is Vietnam.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

**30. SEGMENT INFORMATION**

The following tables present revenue and profit and certain assets and liabilities information regarding the Group's business segment.

	Gold, silver and gemstone	Accessories	Gasoline and gas cylinders	Laboratory	Elimination	Total
<b>For the year ended 31 December 2012:</b>						
<b>Revenue</b>						VND
Sales to external customers	6,486,831,450,473	6,179,536,363	314,717,065,705	15,965,965,194	(45,824,222,587)	6,777,869,795,148
Sales deduction	(60,987,322,575)	-	(39,106,150)	-	-	(61,026,428,725)
<b>Total revenue</b>	<b>6,425,844,127,898</b>	<b>6,179,536,363</b>	<b>314,677,959,555</b>	<b>15,965,965,194</b>	<b>(45,824,222,587)</b>	<b>6,716,843,366,423</b>
<b>Results</b>						
Segment gross profit	605,102,123,024	1,261,065,033	24,915,816,866	13,052,309,467	(45,824,222,587)	598,507,091,803
Unallocated expenses						(357,604,637,293)
Finance income						120,569,293,310
Finance expenses						(91,405,694,428)
Other profit						40,027,824,336
Net profit before CIT						310,093,877,728
CIT expense						(55,685,215,235)
<b>Net profit for the year</b>						<b>254,408,662,493</b>
<b>Assets and liabilities</b>						
Segment assets	2,493,347,214,735	-	-	12,688,364,430	27,319,446,479	2,533,355,025,644
Unallocated assets						9,630,937,615
<b>Total assets</b>						<b>2,542,985,963,259</b>
Segment liabilities	1,267,291,083,593	-	-	1,168,829,708	(13,086,240,367)	1,255,373,672,934
Unallocated liabilities						45,873,274,052
<b>Total liabilities</b>						<b>1,301,246,946,986</b>



Phu Nhuan Jewelry Joint Stock Company

B09-DN/HN

B09-DN/HN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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**30. SEGMENT INFORMATION (continued)**

	Gold, silver and gemstone	Accessories	Gasoline and gas cylinders	Gemstone inspection services	Elimination	Total
<b>For the year ended 31 December 2011:</b>						
<b>Revenue</b>						VND
Sales to external customers	17,418,524,647,633	-	648,879,459,167	5,592,460,251	(34,941,108,196)	18,038,055,458,855
Sales deduction	(74,169,861,581)	-	(45,125,502)	-	-	(74,214,987,083)
<b>Total revenue</b>	<b>17,344,354,786,052</b>	<b>-</b>	<b>648,834,333,665</b>	<b>5,592,460,251</b>	<b>(34,941,108,196)</b>	<b>17,963,840,471,772</b>
<b>Results</b>						
Segment gross profit	660,531,337,006	-	75,373,013,110	2,853,766,920	(438,518,092)	738,319,598,944
Unallocated expenses						(387,657,258,172)
Finance income						64,754,928,074
Finance expenses						(125,534,692,551)
Other profit						28,283,317,146
Net profit before CIT						318,165,893,441
CIT expense						(60,659,286,104)
<b>Net profit for the year</b>						<b>257,506,607,337</b>
<b>Assets and liabilities</b>						
Segment assets	2,695,173,830,976	-	276,259,991,928	11,598,715,015	(62,010,025,183)	2,921,022,512,736
Unallocated assets						7,090,109,989
<b>Total assets</b>						<b>2,928,112,622,725</b>
Segment liabilities	1,631,225,896,083	-	164,375,607,385	1,297,715,251	(189,034,257,637)	1,607,864,961,082
Unallocated liabilities						163,159,280,056
<b>Total liabilities</b>						<b>1,771,024,241,138</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities are loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operation. The Group has trade and other receivables, cash, cash equivalents and short-term deposits that arise directly from its operations. The Group does not hold or issue any derivative financial instruments

The Group is exposed to market risk, credit risk and liquidity risk.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Management reviews and agrees policies for managing each of these risks which are summarized below.

#### *Market risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings.

The sensitivity analyses in the following sections relate to the position as at 31 December 2011 and 31 December 2012.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rate relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages interest rate risk by looking at the competitive structure of the market to obtain rates which are favourable for its purposes within its risk management limits.

#### *Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings.

With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	<i>Increase/decrease in basis points</i>	<i>VND Effect on profit before tax</i>
<b>For the year ended 31 December 2012</b>		
Gold	+100	(1,703,556,660)
Gold	-100	1,703,556,660
<b>For the year ended 31 December 2011</b>		
VND	+300	(12,004,146,346)
USD	+100	(1,159,078,200)
Gold	+100	(7,517,225,000)
VND	-300	12,004,146,346
USD	-100	1,159,078,200
Gold	-100	7,517,225,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### *Market risk* (continued)

##### *Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates and gold rate. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities.

##### *Foreign currency sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ and gold exchange rates with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	<i>Change in USD rate</i>	<i>Change in gold rate</i>	<i>VND Effect on profit before tax</i>
<b>For the year ended 31 December 2012</b>			
	+1%	+2%	(6,092,375,814)
	-1%	-2%	6,092,375,814
<b>For the year ended 31 December 2011</b>			
	+1%	+2%	(10,435,278,701)
	-1%	-2%	10,435,278,703

The Group's exposure to foreign currency changes for all other currencies is not material.

##### *Equity price risk*

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Group manages equity price risk by placing a limit on equity investments. The Group's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to listed and unlisted equity securities at fair value was VND 459,811,208,567 (31 December 2011: VND 430,477,435,045). A decrease of 5% in the value of the listed and unlisted securities could have an impact of approximately VND 22,990,560,428 (31 December 2011: VND 21,523,871,752) on the Group's profit before tax, depending on whether or not the decline is significant or prolonged. An increase of 5% in the value of the listed and unlisted securities would increase Group's profit before tax by VND 22,990,560,428 (31 December 2011: VND 21,523,871,752).

##### *Commodity price risk*

The Group exposes to commodity price risk in relation to purchase of certain commodities. The Group manages its commodity price risk by keeping close watch on relevant information and situation of commodity market in order to properly manage timing of purchases, production plans and inventories level. The Group does not employ any derivative financial instruments to hedge its commodity price risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

**31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

***Credit risk***

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

***Trade receivables***

Customer credit risk is managed by the Group based on its established policy, procedures and control relating to customer credit risk management. The Group's exposure to credit risk in relation with receivables is mainly influenced by the individual characteristics of each customer. Most of the Group's sales are cash sale which are not exposed to the credit risk.

Outstanding customer receivables are regularly monitored, for trade receivables from foreign customers, the Group's recoverability is guaranteed by a third bank. The requirement for impairment is analyzed at each reporting date on an individual basis for major clients. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

***Bank deposits***

The Group's bank balances are mainly maintained with well-known banks in Vietnam. Credit risk from balances with banks is managed in accordance with the Group's policy. The Group's maximum exposure to credit risk for the components of the consolidated balance sheet at each reporting dates are the carrying amounts as illustrated in Note 4. The Group evaluates the concentration of credit risk in respect to bank deposit as low.

***Liquidity risk***

The liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of maturities of financial assets and liabilities.

The Group monitors its liquidity risk by maintain a level of cash and bank loans deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk* (continued)

	<i>Less than 1 year</i>	<i>From 2 to 5 years</i>	<i>VND Total</i>
<b>31 December 2012</b>			
Loans	1,008,230,455,000	170,355,666,000	1,178,586,121,000
Trade payables	53,906,651,210	-	53,906,651,210
Other payables and accrued expenses	30,810,141,558	-	30,810,141,558
<b>TOTAL</b>	<b><u>1,092,947,247,768</u></b>	<b><u>170,355,666,000</u></b>	<b><u>1,263,302,913,768</u></b>
<b>31 December 2011</b>			
Loans	604,356,835,868	730,658,754,727	1,335,015,590,595
Trade payables	123,648,989,802	-	123,648,989,802
Other payables and accrued expenses	142,192,175,513	-	142,192,175,513
<b>TOTAL</b>	<b><u>870,198,001,183</u></b>	<b><u>730,658,754,727</u></b>	<b><u>1,600,856,755,910</u></b>

*Collateral*

The Group has pledged its fixed assets with the value of VND 182,820,156,215, and the Group's DAB shares amounting to VND 330,000,000,000 in order to fulfil the collateral requirements for the loans obtained from commercial banks (*Notes 15 and 20*).

The Group did not hold any collateral at 31 December 2012 and 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012**32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements.

	Carrying amount				Fair value		VND
	Ending balance		Beginning balance		Ending balance	Beginning balance	
	Cost	Provision	Cost	Provision			
<b>Financial assets</b>							
Other long-term investments	513,241,408,400	(10,800,000,000)	475,245,158,400	(21,124,532,250)	502,441,408,400	454,120,626,150	
Short-term deposit	-	-	70,000,000,000	-	-	70,000,000,000	
Trade receivables	15,556,044,643	-	39,634,363,771	(615,714,050)	15,556,044,643	39,634,363,771	
Other receivables	35,808,841,279	(7,752,218,659)	22,790,855,759	-	28,056,622,620	22,175,141,709	
Cash and cash equivalents	434,579,697,337	-	454,113,948,194	-	434,579,697,337	454,113,948,194	
	<b>999,185,991,659</b>	<b>(18,552,218,659)</b>	<b>1,061,784,326,124</b>	<b>(21,740,246,300)</b>	<b>980,633,773,000</b>	<b>1,040,044,079,824</b>	
<b>Financial liabilities</b>							
Loans							
Trade payables			1,178,586,121,000	1,335,015,590,595	1,178,586,121,000	1,335,015,590,595	
Payables to related parties			53,115,515,689	119,165,943,802	53,115,515,689	119,165,943,802	
Other payables and accrued expenses			791,135,521	4,483,046,000	791,135,521	4,483,046,000	
			30,810,141,558	142,192,175,513	30,810,141,558	142,192,175,513	
	<b>1,263,302,913,768</b>	<b>1,600,856,755,910</b>	<b>1,600,856,755,910</b>	<b>1,263,302,913,768</b>	<b>1,263,302,913,768</b>	<b>1,600,856,755,910</b>	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at and for the year ended 31 December 2012

### 32. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate the fair values:

- ▶ Cash, cash in bank, cash equivalents and short-term deposits, trade and other receivables, trade and other payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ The fair value of loans from banks is estimated by discounting future cash flows using rates currently available for debts for debt on similar terms, credit risk and remaining maturities. As at 31 December 2012, the carrying amounts of such borrowings, are not materially different from their calculated fair values.

### 33. EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the consolidated financial statements.



Duong Quang Hai  
Preparer



Dang Thi Lai  
Chief Accountant



Cao Thi Ngoc Dung  
General Director

25 March 2013