



**VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY
VINAMILK**

**DOCUMENT
ANNUAL GENERAL MEETING OF
SHAREHOLDERS**

2013

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REPORT OF THE BOARD OF MANAGEMENT ON OPERATION OF VINAMILK IN 2012

Revenues and Profit

- Percentage of completion of the plan approved by the AGM:
 - The year of 2012 continues to be a difficult year of Vietnam economy in general and enterprises in particular, including Vinamilk. Economic growth slowed down, interest rates kept high, the real estate market was frozen leading to difficulties for related industries, inventories increased and the number of closing enterprises soared up, which affected the demand of consumers.
 - Assessing the difficult situation, from the beginning of the year Vinamilk gathered all resources to push sales, cut costs and introduce new products to meet diversified demand of consumers. Consequently, revenues and profits of Vinamilk in 2012 surpassed the target approved by the AGM and increases well as compared to 2011.

(billion dong)	Result of 2012	Target of 2012	Result of 2011	% beyond the target	Increase compared to 2011
Total revenues	27,102	26,480	22,071	2%	23%
Profit before tax	6,930	5,625	4,979	23%	39%
Profit after tax	5,819	4,690	4,218	24%	38%

- The compound average growth rates (CAGR) of revenues and profit before tax in the recent 5 years are as follows:

(billion dong)	2008	2009	2010	2011	2012	CAGR (%/year)
Total revenues	8.381	10.820	16.081	22.071	27.102	34%
Profit before tax	1.371	2.731	4.251	4.979	6.930	50%

Assets and Resources

- Total assets and owners' equity of the Company on average have increased by 35% per year in the recent 5 years.

(billion dong)	2008	2009	2010	2011	2012	CAGR (%/year)
Short-term assets	3.188	5.069	5.920	9.468	11,111	37%
Long-term assets	2.779	3.413	4.853	6.115	8,587	33%

(billion dong)	2008	2009	2010	2011	2012	CAGR (%/year)
Total assets	5.967	8.482	10.773	15.583	19,698	35%
Liabilities	1.154	1.991	2.809	3.105	4,205	38%
Owners' equity	4.666	6.455	7.964	12.477	15,493	35%
Minority interest	51	35	0	0	0	
Total resources	5.967	8.482	10.773	15.583	19,698	35%

Achievement in the year

➤ ***Distribution network:***

The number of outlets that Vinamilk covered nationwide was more than 200,000 outlets at the end of 2012, an increase of 22,000 as compared to 2011.

➤ ***Marketing activities:***

○ Liquid milk and yoghurt:

Vinamilk continued to support the ADM liquid milk and carry out a new media campaign of “Delicious milk from happy cows” to support Vinamilk 100% fresh milk.

The Company launched new yoghurt products such as Probeauty yoghurt with collagen and Vinamilk yoghurt with less sugar; carried out media programs for Probi yoghurt and Susu yoghurt to introduce an advantage of Vinamilk yoghurt which is no preservatives and naturally fermented; co-operated with Consumer Association to hold 15 seminars on “yoghurt is good for health” to introduce benefits of yoghurt, how to consume and preserve yoghurt.

○ Powdered milk:

Vinamilk released a film to introduce Dielac Alpha, pushed a program to launch Dielac Optimum to increase the awareness of consumers, re-launched Dielac Pedia in key cities & provinces those contributed much to the powdered products sales, continued communication programs for Vinamilk Sure Prevent by films and consulting programs for elderly people in big cities.

○ Beverages:

The Company introduced new soy milk – GoldSoy – from non-GMO soybean and salty lemon juice ICY.

➤ ***New products:***

Similar to previous years, in 2012 Vinamilk continued to introduce new products to meet diversified demand of consumers. New products launched in 2012 included: powdered milk for children Dielac Optimum Step 1 / Step 2 / 123, special nutritious product Vinamilk Sure Prevent in powder and liquid, nutritious product CanxiPro, UHT skimmed milk Vinamilk (sweetened & unsweetened), vanilla ice cream Vinamilk, pomegranate yoghurt Probeauty, yoghurt / yoghurt with strawberry & banana for children Susu, strawberry / banana yoghurt with probiotics Probi, salty lemon juice ICY, guava juice / grape juice Vfresh, non-GMO soymilk Goldsoy.

➤ ***Environment and energy savings:***

In 2012, Vinamilk continued to carry out the energy savings programme: both indexes on power consumption per ton, oil consumption per ton dropped thanks to increased production scale, reasonable production planning along with technical solutions. The results of the programme were that power consumption for 2012 saved 4.1% per ton of products on 2011, oil consumption saved 11.4% per ton of products on 2011, and water consumption saved 0.3% per ton of products on 2011.

Besides, in 2012, Vinamilk also completed energy audits as planned for the factories.

➤ ***Material Zone:***

- Vinamilk's purchased milk volumes in 2012 were at 161,591 tons, or 100.6% on the budget, and up by 12.2% on 2011. The collection from the households and Vinamilk's farms stood at 141,540 tons, or 105% on the budget of 2012. Vinamilk's farms supplied 20,051 tons.
- The herds of the households at the end of 2012 stood at 61,000 cows whereas from Vinamilk's farms were 8,200 cows.
- For the year, the Company rolled out 05 sampling models at the farms in HCMC, Lam Dong, Binh Dinh, Nghe An and Hung Yen.
- In 2012, the Company also carried out free plotting insemination of 1,080 dozens for 414 cows of 96 farmers. Supported the Binh Dinh farmers with 500 dozens of good cow semen. Provided direct consultancy to total of 3,846 households and further 64 antibiotic residue detection machines to the collection stations in HCMC, Tien Giang, and Long An.

➤ ***Human Resources:***

- Completed staff training for Da Nang factory. Preparing staffs for Vietnam Mega factory, Dielac II factory.
- Issued 2012 Collective Labour Agreement after collecting employee opinions and implementing registration with HCMC Department of Labor.
- Completed 2012 employee survey.

➤ **Financials**

- For the year, the Company issued shares to increase the charter capital from the source of owner's equity with the splitting ratio of 1:2 (where two existing shares shall receive one newly-issued share). The number of newly-issued shares shall trade officially from January 25, 2013 on HOSE.
- The Company continued budget controlling, contributed to improved returns ratios of the Company.

➤ **IT:**

For 2012, Vinamilk visualized 80% of the server, completed the commissioning and standardized Virtual Desktop Infrastructure (VDI) and will roll out in 2013, carried out building Information Security and building on-Tablet sales programme. The programme of online sales will roll out completely in 2013.

➤ **Enterprise Risk Management (ERM)**

Performance of ERM activities

- Integrated ERM into the key procedures of the Company, including Corporate Governance Policy, New product introduction procedures, Project Investment.
- Implemented Risk Assessment at Company level, including assessment and addressing critical risks.
- Organized ERM training courses: (i) Course of ERM awareness for new managers; (ii) Course of assessment skill for the affiliates, (iii) Course of awareness for the subsidiaries.
- Implemented review of ERM activities regarding to Organization Structure, processes, reporting, resources with KPMG Audit Company.

Changes of ERM structure

The changes of ERM structure of Vinamilk for the year are as follows:

- Formed Risk Management Committee
- Founded Risk Management Council
- Appointed Director of Risk Management
- Determined Owners of 12 Critical risks of the Company.

➤ **Investors Relation:**

- It was the second consecutive year when Vinamilk was honored as the leading enterprise in IR activities according to a survey of Vietstock. In 2012, Vinamilk gained an outstanding rating of 81.91%, 27.3% higher than the one of the second-ranking enterprise (In 2011, it was 61.46% for Vinamilk, 32.68% higher than the second-ranking enterprise).
 - In 2012, Vinamilk participated 4 investment forums in Hong Kong (November – hosted by Daiwa Securities), in Bangkok – Thailand (May – hosted by UBS), in TP HCM (one in September and the other in October respectively hosted by Bản Việt and Vinabull). In addition, Vinamilk also welcomed more than 100 visits of investors at the Company’ head office, answered their questions in the means of email, telephone and website.
 - Vinamilk is one of the three listed companies gaining Award of Best Annual Report in 5 consecutive years in the course of 2008 – 2012 and honored and certified by SSC for this achievement.
- **Corporate Governance:** Vinamilk officially become member of the Asian Corporate Governance Association (ACGA). Vinamilk was the first Vietnamese business in the organization. ACGA members can engage in a constructive dialogue with governments, financial regulators and stock exchanges on practical issues affecting the implementation of better corporate governance practices in Asia, and constantly be updated with new practices on Corporate Governance.

➤ **Honors and Awards:**

No.	Credentials	Time	Organizations
1.	Excellent performance in the campaign of “Vietnamese buy Vietnamese goods”	Jan/2012	HCMC People’s Committee
2.	Strong Brand	Mar/2012	Vietnam Economy Times
3.	Top 5 of Vietnam’s High-quality products 2012	Mar/2012	SGTT Newspaper
4.	One of 500 fast-growth enterprises	Apr/2012	Fast 500
5.	Several achievements in organizing “Green painting Contest”	Apr/2012	Society for Vietnam’s High-Quality Products
6.	Top 50 companies for Best business performance	May/2012	VIR and Harvard University
7.	Several achievements in organizing “Green painting Contest”	Jun/2012	HCMC People’s Committee
8.	Top 30 Best Annual Reports 2012	Jul/2012	HOSE and VIR
9.	Credit Certificate by SSC for Best Annual Report in 5 consecutive years	Jul/2012	SSC

No.	Credentials	Time	Organizations
	2008 – 2012		
10.	Titled for Product of “Trust and Use”	Nov/2012	Vietnam Economy Times
11.	Credit for leading the campaign of “Vietnamese use Vietnamese goods” 2012	Nov/2012	People’s Committee of Daklak Province
12.	Truong Tho Factory achieved “Green Enterprise”	Nov/2012	SGGP newspaper in association with HCMC Department of Environment and Resources
13.	Vietnam’s Companies of Best IR activities 2012	Dec/2012	VietStock Communications
14.	National Brand 2012	Jan 2013	Ministry of Commerce

In addition, the CEO has received the following honors:

No.	Titles	Time	Organization
1.	One of Asia’s 50 Power businesswomen.	Mar/2012	Forbes Asia Magazine
2.	One of the outstanding business leaders in Asia 2012.	May/2012	Corporate Governance Asia Magazine
3.	One of Asia’s best CEO (Investor Relations)	2012	Corporate Governance Asia Magazine
4.	One of Asia’s 50 Power businesswomen.	Mar/2013	Forbes Asia Magazine

REPORT OF THE BOARD’S ACTIVITIES IN 2012

Meetings of the Board of Management (the BOM) in 2012

Meeting	Number of attendants	Contents
Meeting 1 31/1/2012	5/5 Observers: IC members	<ul style="list-style-type: none"> ▪ Approved the business result in 2011 ▪ Approved the plan to organize AGM 2012 ▪ Approved the business plan for 2012-2016 to propose to the AGM ▪ Approved the 2012 remuneration for BOM, IC to propose to the AGM. ▪ Approved the dividend of 2012 to propose to the AGM. ▪ Amended ESOP policy: For an employee who has passed away, his/her shares should be lifted. For an employee whose ESOP shares are being recalled (the payment has been made to him/her) whereas the procedures have not been completed, the benefits rising from their being-recalled shares are revoked as well. ▪ Approved the Board meeting schedule in 2012
Meeting 2 27/4/2012	5/5 Observers: IC members	<ul style="list-style-type: none"> ▪ The new-term Board reviewed issues on corporate governance as: the outstanding issues from the previous term, the content of Board’s authorization to the CEO, the rules and regulations required to be issued, committees of the Board to be set up, the appointment of company secretaries in the new term, etc. ▪ Determined the priorities of the Board in 2012 and in the term of 2012-2016: (i) Business targets: 20%/year growth in revenue, 13%/year growth PBT; (ii) to build operation processes for Vinamilk to meet the standards of listing on international markets. ▪ Approved the business results in Q1/2012 and the business plan for Q2/2012. ▪ Approved the dissolution of Dielac Dairy One-member Ltd. and its conversion into a branch of Vinamilk.
Meeting 3 27/7/2012	5/5 Observers: IC members	<ul style="list-style-type: none"> ▪ Approved the business result in Q2/2012 and business plan for Q3/2012. ▪ Approved the adjustment of investment plan for the period of 2012-2016: adjustments of investment capital among the projects and additional items. The total investment capital remained unchanged.

		<ul style="list-style-type: none"> ▪ Approved the record date for the first installment of dividend 2012. ▪ Approved the adjusted corporate governance policy, the corporate social responsibility policy, the adjusted information disclosure policy. ▪ Approved the adjusted salaries for the Executive Team and the Chief Accountant. ▪ Discussed on issuing bonus shares at ratio of 1 : 2 in order to collect the shareholders' opinions (a shareholder who holds 2 shares would receive 1 bonus share).
Meeting 4 30/11/2012	5/5 Observers: IC members	<ul style="list-style-type: none"> ▪ Approved the business plan for Q4/2012. ▪ Approved the updated business plan for 2013 and updated strategic plan 2012-2016. ▪ Approved lifting of ESOP shares to be conducted at every June 30th in 2013 and 2014. ▪ Approved the bonus multiples for the Executive Team and the Chief Account based on 2012 business results. ▪ Approved the adjustment and change in the ERM's structure upon the proposal of KPMG. ▪ Approved issues on CSR report upon GRI standards. ▪ Approved the establishment of Vinamilk's representative office in Cambodia. ▪ Approved the charter capital increase of 710 billion dong of Vietnam Dairy Cow Co., from 840 billion to 1,550 billion dong. The capital contribution should be made upon the progress of the project.

Attendance of BOM members

The members attended all meetings in 2012

No.	BOM member	Designation	Number of attendance	In Percentage
1.	Madam Mai Kieu Lien	Chairwoman	4/4	100%
2.	Mr. Le Song Lai	Member	3/3	100%
3.	Mr. Le Anh Minh	Member	4/4	100%
4.	Madam Ngo Thi Thu Trang	Member	4/4	100%
5.	Mr. Pascal De Petrini	Member	0/0	-
6.	Mr. Hoang Nguyen Hoc	Member	1/1	100%
7.	Mr. Wang Eng Chin	Member	4/4	100%

Notice:

- *Mr. Hoang Nguyen Hoc was a BOM member in the term of 2007-2011. The term of 2007 – 2011 of the BOM was closed at the AGM 2012 on March 23, 2012.*
- *Mr. Le Song Lai was appointed as a BOM member for the term of 2012 – 2016 at the AGM 2012 on March 23, 2012.*
- *Mr. Pascal De Petrini was appointed by the BOM in replacement of Mr. Wang Eng Chin’s resignation on December 4, 2012; the appointment will be submitted to the AGM for approval.*

- In addition to regular meetings, the BOM made decisions on issues regarding to Vinamilk’s policies in form of collecting written opinions.
- All of the BOM meetings were attended by Inspection Committee members in the role of observers.
- Supervision of the BOM to Board of Directors: implemented with inquiries to General Directors on the period business results at the regular meetings.

In addition, given Department of Risk Management and Internal Control, the reports of risk assessment and analysis and the plans of risks prevention were sent to the BOM and the IC.

The IC has its own assisting body, which is Department of Internal Audit, in order to implement Vinamilk’s internal auditing activities in compliance with the AGM’s resolutions as well as the effective regulations. Findings (if any) by the IC should be raised with the BOM at the meetings.

Activities of Other Committees under the BOM

- In Q1/2012, the BOM made its preparations for the Annual General Meetings 2012. The AGM elected its BOM for the new term of 2012 – 2016 (the term shall be ended by the AGM 2017) and approved a development strategy plan for a period of 2012 – 2016 upon the proposal by the BOM.
- In Q2/2012, the 2012-2016 BOM made its comprehensive review of corporate governance issues for improvements such as amending the Company’s charter and corporate governance policy in accordance with the international standards and the best practices on corporate governance issues in order to enforce transparency, fairness and publicity introduced in Corporate Governance Manual by SSC and International Finance Corporation (IFC).

In the second quarter, Remuneration Committee proposed the year’s Management by Objectives for the Board of Directors and Chief Accountant to the BOM for approval.

- In Q3/2012, the BOM issued a revised corporate governance policy upon the recommendations by IFC on good CG practices. In the meantime, the BOM issued a policy of corporate social responsibility (CSR) for Vinamilk.

- In Q4/2012, the BOM conducted collecting the shareholders' written opinions regarding to share issuance to increase the charter capital from owners' equity and completed the issuance. The newly-issued shares officially traded on January 25, 2013.

Besides, the BOM also adjusted, changed the structure of risk management of the Company upon the recommendations by KPMG.

Resolutions Approved by the BOM in 2012:

No.	Reference	Date	Description
1.	01/NQ-CTS.HĐQT/2012	31/1/2012	Result of the meeting as of Jan 30 th 2012.
2.	02/ NQ-CTS.HĐQT/2012	31/1/2012	Adjustment of ESOP policy.
3.	03/ NQ-CTS.HĐQT/2012	14/3/2012	Investment plan to 2016
4.	04/ NQ-CTS.HĐQT/2012	27/4/2012	Dissolution of Dielac Dairy One-Member Co. Ltd.
5.	05/ NQ-CTS.HĐQT/2012	27/4/2012	Result of the meeting as of April 27 th 2012
6.	06/ NQ-CTS.HĐQT/2012	21/5/2012	Approved the resignation of Mr. Pham Phu Tuan.
7.	07/ NQ-CTS.HĐQT/2012	21/5/2012	Appointed Mr. Mai Hoai Anh as Acting Director of Domestic and Export Sales.
8.	08/ NQ-CTS.HĐQT/2012	27/6/2012	Approved the remuneration for BOM and IC 2012
9.	09/ NQ-CTS.HĐQT/2012	27/7/2012	Approved first installment of dividend 2012.
10.	10/ NQ-CTS.HĐQT/2012	1/8/2012	Approved collecting shareholders' opinions on issue of bonus shares.
11.	11/ NQ-CTS.HĐQT/2012	15/8/2012	Approved issue of Salaries for Board of Directors and Chief Account.
12.	12/ NQ-CTS.HĐQT/2012	24/8/2012	Approved the adjusted remuneration for BOM and IC.
13.	13/ NQ-CTS.HĐQT/2012	29/8/2012	Result of the meeting as of July 27 th 2012.
14.	14/ NQ-CTS.HĐQT/2012	29/8/2012	Approved the transfer of Thanh Hoa 2 dairy farm to Lamsonmilk

No.	Reference	Date	Description
15.	15/ NQ-CTS.HĐQT/2012	29/8/2012	Approved Tien Son factory's expansion on workshop 3.
16.	16/ NQ-CTS.HĐQT/2012	14/9/2012	Approved the investment in Tay Ninh Dairy Farm.
17.	17/ NQ-CTS.HĐQT/2012	15/10/2012	Approved the establishment of Vietnam powder milk factory's branch.
18.	18/ NQ-CTS.HĐQT/2012	14/11/2012	Approved the record date for issuing bonus shares from the owners' equity.
19.	19/ NQ-CTS.HĐQT/2012	22/11/2012	Approved the change in Resolution No.17 (regarding to address change)
20.	20/ NQ-CTS.HĐQT/2012	4/12/2012	Approved the resignation of Mr. Wang Eng Chin and appointment of a new member.
21.	21/ NQ-CTS.HĐQT/2012	5/12/2012	Result of the meeting as of Nov 30 th 2012
22.	22/ NQ-CTS.HĐQT/2012	26/12/2012	Approved the additional investment in in Miraka's UHT project.

Remuneration for BOM, IC in 2012

The AGM 2012 approved the total remuneration of 5.2 billion VND for the BOM and IC. The details are as follows:

	(in million VND)	Per Month	Chairman / Head of IC	Committee members	Head of Board Committee	Meeting Attendance	Bonus	Total
BOARD OF MANAGEMENT								
Ma dam	Mai Kieu Lien	120	102	120	33	60	342	777
Mr.	Wang Eng Chin	300	-	120	18	60	285	783
Mr.	Hoang Nguyen Ngoc	120	-	30	15	15	71	251
Mr.	Le Song Lai	180	-	90	18	45	214	547
Mr.	Le Anh Minh	300	-	120	33	60	285	798
Ma dam	Ngo Thi Thu Trang	120	-	120	-	60	285	585
INSPECTION COMMITTEE								
Mrs	Nguyen Thi	60	15	-	-	-	50	125

	(in million VND)	Per Month	Chairman / Head of IC	Committee members	Head of Board Committee	Meeting Attendance	Bonus	Total
.	Tuyet Mai							
Mr.	Nguyen Anh Tuan	263	-	-	-	45	143	450
Mr.	Nguyen Trung Kien	263	50	-	-	60	186	558
Mr.	Nguyen Ngoc Vu Chuong	203	-	-	-	45	107	355
Total		1,928	167	600	117	450	1,969	5,200

Legend:

- *Mr. Hoang Nguyen Hoc and Mrs. Nguyen Thi Tuyet Mai's terms were expired at the AGM 2012.*
- *Mr. Le Song Lai and Mr. Nguyen Ngoc Vu Chuong were appointed at the AGM 2012.*
- *Mr. Nguyen Trung Kien took the position of Head of the IC from the AGM 2012.*

Share transaction by BOM members and persons related to BOM members:

- In 2012, BOM members and their related persons held no share transactions with Vinamilk.
- The Company held no loans, guarantees, or credits against the BOM members and their related persons.

REPORT OF THE BOARD ON SUPERVISION ON THE CEO

Dear valued shareholders,

- Pursuant to Enterprise law 2005
- Pursuant to the scope of the BOM's authorization stipulated in the Charter and the Policy of Internal Control of Vietnam Dairy Products J.S.C.
- Pursuant to the Resolution of the Annual General Meeting of Shareholders 2012

The Board of Management conducted supervision of General Director's activities regarding to General Director's implementation of the resolutions by the AGM and by the BOM as follows:

Method of supervision:

- Via the quarterly BOM meetings and by request, the BOM conducted communicating and making questions about General Director's activities regarding to implementing the strategies and targets approved the AGM 2012. General Director reported in details the progression of the implementation as well as difficulties, concerns incurred during the implementation. The BOM discussed with General directly or in writing in order to bring out solutions in the determination of completing the targets assigned by the BOM.
- Co-operated tightly with the Inspection Committee (IC) to grasp the actual situation of the Company and sent its opinions to General Director and the Board of Directors to complete the approved business targets. The BOM exchanged, discussed in details and kept itself receptive to the contributive opinions and proposals from the IC whose role was as observer and representative for investors. All of the opinions were appreciated and considered during the BOM and General Director made their decisions.
- During the past year, the Department of Internal Audit, as an important body under the IC, conducted auditing Vinamilk's internal activities to ensure Vinamilk's activities in compliance with the resolutions by the AGM as well as the regulations. Findings (if any) shall be reported to the BOM at the regular meetings.
- In addition, the BOM worked with Department of Risk Management and Internal Control through quarterly reports and reports of Risk Assessment and Action Plans to prevent risks and send its opinions to General Director for the sake of business administration.

- The committees under the BOM at the regular meetings reviewed all issues of corporate governance to be improved. In particular, the BOM reviewed and revised the Charter and the Policy of Corporate Governance of the Company to international standards and best practices on corporate governance to reinforce transparency, fairness and publicity.
- The BOM brought out resolutions after the regular and required meetings to approve the plans for the coming quarters and other relevant issues in order that General Director could perform her implementation.

Supervisory results:

2012 continued to be a turbulent year for Vietnamese enterprises with many un-stabilities for the world economy. After a long term period of high inflation, low growth, decline in confidence and difficult business environment. However, CEO and the Board of Executive Directors have achieved an excellent performance, exceeding the targets approved by AGM.

In 2012, Vinamilk continues to be in the Top 50 most effective Vietnamese enterprises, Top Vietnam high quality products, achieved the national brand award by Ministry of Industry & Commerce. Especially, CEO is awarded as the most excellent CEO in Asia by Forbes Asia in the second time. This is the great honor and encouragement for CEO, as it appraises her excellent leadership together with great support from the Board of Executive Directors.

The results of targets approved by AGM for CEO include:

1. Sales and profit

(billion dong)	actual 2012	target 2012	Actual 2011	% above the target	Growth vs. 2011
Total sales	27,102	26,480	22,071	2%	23%
Profit before tax	6,930	5,625	4,979	23%	39%
Profit after tax	5,819	4,690	4,218	24%	38%

2. Capex plan

Complete in line with its schedule for new factories, upgrading of existing factories, upgrading technology and expanding cow farms, details as follows:

- Implement the expansion of capacity at the factories: Sai Gon, Tiên Sơn, Nghệ An, Cần Thơ, Bình Định.
- Put the Da Nang factory into operation in time (June 2013). Ensure that the take-over of the plant is smooth. Employees are trained sufficiently and timely.

- Expanding the existing cow farms and build new farms in order to increase the total herds to 61.000 heads at the end of 2012, cows owned by Vinamilk are at 8.200 heads.
 - Especially, the completion of 2 factories: Vietnam dairy factory and Powdered milk factory (Dielac 2), with the total investment of 4 trillion dong. The Dielac 2 just was opened on 22 April 2013 and the Vietnam Dairy factory is planed to open in Q2/2013. These are most modern factories in the region, which increase the capacity of Vinamilk 2 times for liquid milk and 4 times for infant milk.
3. About the corporate governance
- Focus on building and improving the corporate governance in compliance with local regulations and in line with the best practice.
 - Improve the remuneration policy & benefits based on the appraisal of the performance vs. objectives (MBO) set from the beginning of the year.
 - Enhance the activities in management of risks by incorporating risk management into the Company's procedures and processes, implement the evaluation of risks, and train staff on risk management and review of the risk management activities, structure, reports and resources.
 - Share splits with ratio 2:1, got approval by writing from AGM and issued shares in its schedule.

Conclusion:

According to the Board's appraisal, CEO has delivered great results vs. approved targets for 2012 and CEO also complied with all internal procedures and policy in running the business in accordance with the Company's charter, corporate governance and legal regulations.

Best regards,

For and on behalf of the Board of Management

Le Anh Minh

REPORT OF THE INSPECTION COMMITTEE

HCM City, 1st March 2013

REPORT TO THE GENERAL MEETING OF SHAREHOLDERS (“GMS”)

Dear shareholders of Vietnam Dairy Products Joint Stock Company (“Vinamilk”),

On the firm foundation of the year 2011, Vinamilk continuously has very successful business operations. In addition to the positive outcomes, Vinamilk keeps maintaining and enhancing the corporate image towards promoting corporate culture and social responsibility, and contributing significantly to the national tax budget.

The success of Vinamilk has stood out even more in context of the year 2012 when there are not only many challenges for Vietnamese enterprises but also economic, political, and social uncertainties in all over the world. Amid the instability of the macro economy, Vinamilk’s risk management, control, and supervision systems have to be continuously developed and improved in order to help the Company achieve the goals sustainable of development in the long term.

I. Activities of the Inspection Committee

The Inspection Committee (“the IC”) consists of 3 independent members who are the representatives of the shareholders and are supported by the Board of Management (BoM) and the Executive Board to continue to investigate, monitor, and recommend necessary changes for Vinamilk in order to increase the effectiveness of risk management and improve the quality of corporate governance. In 2012, the IC held 4 regular meetings as follows:

Meeting	Attendants	Content
Meeting 1 31/3/2012	3/3	Agreeing on the plan 2012 for the IC and the Internal Audit
Meeting 2 10/5/2012	3/3	Approving the scope of work and proposed to choose KPMG to check the effectiveness of the Enterprise Risk Management (“ERM”) system and operation of the Internal Audit
Meeting 3 15/10/2012	3/3	Discussing the initial findings in the ERM system and Internal Audit Discussing the action plan to improve the ERM system and Internal Audit
Meeting 4 9/1/2013	3/3	Assessing the auditing companies to audit Vinamilk’s financial reports in 2013

In addition to the above regular meetings, the IC has meetings with the BoM, the Executive Board, the Internal Audit and the independent auditor to accomplish the following tasks:

- Monitoring the activities of BoM and the Executive Board;
- Monitoring the Company’s activities through IA;
- Monitoring the Company’s financial situation;
- Assisting Vinamilk in completing the Enterprise Risk Management system (“ERM”); and
- Propose and submit the Independent Audit report for the fiscal year 2013 for approval at the General Meeting of Shareholders (GMS).

1. Monitoring the activities of the BoM and the Executive Board.

The IC found that the BoM and the Executive Board of the Company has seriously performed their responsibilities and completely complied with rules in the Company Charter and provisions of the Law. The IC participated in all quarterly and on-request meetings of the BoM to understand the actual business situation of Vinamilk, and gave opinions to the BoM and the Executive Board about the implementation of the objectives approved by GMS in March, 2012. The business plan, fundamental investment projects, investment and capital raising opportunities were carefully discussed so that they were the most beneficial and appropriate to Vinamilk’s development strategy.

During this process, the Board and the Executive Board co-operated smoothly with the IC, facilitated the IC’s work, and support the IC and the IA to complete the monitoring and checking task promptly and on time.

2. Monitoring the Company’s activities through the IA

After two years of operation, IA department has affirmed its roles and effectiveness of audit activities, won trust and appreciation from the BoM, and positively contributed to the improvement of management system of the Company. The audit procedures deployed by the IA department and directed by the IC are fully in accordance with international audit practices. The process involves on-site researches across departments and units, checking of documents of the audited period, and discussion and interview with managers at various levels in order to ensure a comprehensive and detailed audit process.

In 2012, the IA conducted 8 audit rounds for the main business management processes of the Company including marketing management process; internal project investment process; management process for An Khang clinic; management process for money, products and tangible fixed assets; dairy farm management process; Logistics and Warehouse Enterprise management process; product quality management process in production phase, and fresh milk procurement management process. In each audit round, the IA department always provides specific and clear recommendations and receives the consent of relevant audited departments, the IC and the Chief Executive Office (CEO).

The results of internal audit showed that there were no significant risks in the management processes of Vinamilk as well as the compliance of related parties and individuals. The action plans to improve the control system as recommended by the IA were fully performed by the units and departments of the Company.

The IC also employed an independent consultant to assess the quality of IA activities. It was confirmed that IA has complied with all audit procedures and processes ensuring necessary quality and independence. With the recommendations of the independent consultant, the IC also made the schedule for improving the activities of IA in the next 3 years as a part of the ERM development of Vinamilk.

3. Monitoring the Financial Situation of the Company in 2012

Together with the representative of Audit Committee of BoM, the IC had regular meeting with Independent Auditor of Vinamilk (PwC Ltd. Co. for the year 2012) to discuss the scope of audit at the beginning of the year and audit results and issues in the management letters. The IC also made an analysis of quarterly financial statements reviewed by the Independent Auditor.

According to periodic report and data analysis presented by the Executive Board in the BoM's meetings, quarterly review reports and audit report for the year ended 31 Dec, 2012, the IC found that Vinamilk maintained its healthy financial position:

- The basic indicators of debts, loan capital, liquidity, efficiency of asset usage, provisions, equity were all highly qualified; and
- Vinamilk's business results all met and exceeded the objectives approved by the GMS in early 2012.

4. Assisting Vinamilk in Improving the ERM System

In 2012, the IC used the risk management consulting service of KPMG to support Vinamilk in reviewing the entire existing ERM system. The results provided the Executive Board and the IC with an overview of the existing system and helped to establish the schedule for improvement and development of the system towards international standards. The IC appreciated the determination of Executive Board in approval of a specific plan with detailed steps to build and promote the role of ERM as a strategic tool which supported the Executive Board in making decisions and corporate management.

Through the introduction of the IC, Vinamilk agreed to become the first Vietnamese enterprise to participate in the Asia Corporate Governance Association (ACGA). This goes on to show BoM's efforts and goals of raising the corporate governance level. The participation in ACGA would give the Company opportunities to access to the latest corporate governance models in the world, and enhance the Company's image at regional and international level. The representative of the IC and Vinamilk together attended the Annual Meeting of ACGA in Bangkok in November, 2012 in which they discussed the trends and outstanding issues of corporate governance in the region and in Vietnam. The information would be useful to Vinamilk in the establishment of corporate governance culture to integrate into the region and the world

5. Proposing the Independent Auditor for the fiscal year 2013 to the GSM for Approval

The IC has directly selected an independent auditor for Vinamilk for the fiscal year 2013. The selection process of the IC was carried out with participation of all members of the IC in a totally objective and independent manner without the participation of Executive Board. The criteria were clearly defined in details to ensure a fair and accurate selection process. After assessing, the IC has notified the BoM of the procedure to seek for the GSM's approval on the Independent Auditor for the fiscal year of 2013 in the most recent GMS

II. Changes in structure of the IC in the period term of 2012-2016

Mr. Nguyen Anh Tuan, an IC member, would like to resign from the IC because of personal reason; therefore, we would like to report to GMS for approval and election of a substitute

III. Conclusion and Proposals

From the results of 2012, the IC believes that the risk management, inspection and control activities provide the BoM, the Executive Board, and other departments in the

company with important information about the real situation of the system and activities needed to be done to continuously improve the Vinamilk's system, to effectively use the resources, and to facilitate the growth and ability to take advantage of the market opportunities in the long term.

In 2013, the IA department shall focus on developing the staffs, maintaining the quality of audit activities, expanding more the process and scope of audit and re-audit activities as well as post-audit monitoring activities in the key departments of Vinamilk

The improvement of the ERM system will be an important focus and objective in the period of 2013-2015. A complete and effectively-operated ERM system will be an essential link to promote the comprehensive coherence between activities of the IC and IA department and the whole production and business activities of the Company

We commit that we will coordinate to expand Vinamilk's activities more and more, and we would like to thank shareholders for the trust and support given to the IC in 2012 and in the future.

Sincerely,

The Inspection Committee

VOTE AND ELECTION

The Board of Management would like to submit the following issues to the AGM for approval:

1. The Audited Financial Statements, Report of the Board of Management and Report of the Inspection Committee on activities in 2012

The Board submits the Financial Statements of 2012 audited by PriceWaterhouse Coopers (Vietnam) Ltd. (attached in the annual report), the report of the Board of Management and the report of the Inspection Committee on company activities to the AGM for approval.

Key figures of the operation results are hereafter (unit: dong)

Sales	27,101,683,739,278
Net sales	26,561,574,179,964
Net accounting profit before tax	6,929,668,017,079
Net profit after tax	5,819,454,717,083
Basic earnings per share (dong/share)	6,981
Current assets	11,110,610,188,964
Long-term assets	8,587,258,231,415
Total assets	19,697,868,420,379
Liabilities	4,204,771,824,521
Owners' equity	15,493,096,595,858
Total resources	19,697,868,420,379

2. Profit distribution in 2012 and dividend

The AGM 2012 approved a cash dividend in 2012 at 30% of the par value.

Based on the result of the year, the Board would like to pay dividend in 2012 as follows

- Interim dividend (1st tranche in 2012): 2,000 dong/share, the record date was 23rd August 2012
- Final dividend (2nd tranche in 2012): The Board proposes increasing the dividend up to 1,800 dong/share instead of 1,000 dong/share. The final dividend will be paid in June 2013

As such, proposal of profit distribution of 2012 to the AGM is presented as follows:

	(dong)
Profit after tax of the parent company in 2012	5,819,454,717,083
Profit distribution in 2012:	
Increasing the investment and development fund ⁽¹⁾	814,747,976,337
Increasing the financial reserve fund ⁽²⁾	32,287,268,008
Increasing the bonus and welfare fund	578,586,940,698
Dividend	
+ Interim dividend (2,000 dong/share, already paid)	1,111,408,068,000
+ Final dividend (1,800 dong/share, will be paid, estimated figure) ⁽³⁾	1,501,120,432,800
Undistributed earnings ⁽⁴⁾	1,781,304,031,240

Note:

⁽¹⁾ The investment and development fund increases thanks to: (i) appropriation from net profit of the parent company (10% of the profit), equivalent to 578,586,940,698 dong, and (ii) corporate income tax exemption of 236,161,035,639 dong that is used to increase the investment & development fund according to the official document No. 499/Tai chinh/TCDN dated 16 Jan 2002 by the Ministry of Finance.

⁽²⁾ The financial reserve fund was equal to 10% of the charter capital in the first 11 months of 2012; therefore, appropriation was ceased in this period. In December 2012, the charter capital of Vinamilk increased after the bonus share issue. Consequently, Vinamilk continued the appropriation to the financial reserve fund since December 2012 at 10% of the profit after tax of December 2012.

⁽³⁾ = 1,800 dong/share x total issued shares (833,955,796 shares). The actual amount may be lower, depending on the number of treasury shares that do not have the right to receive dividend on the record date

⁽⁴⁾ Depending on the actual amount of the final dividend.

3. Plan for 2013

a. Revenues - Profit:

The plan of revenues and profits in 2013 is as follows:

(billion dong)	KH 2013	TH 2012	Growth rate
Total revenues	32,500	27,102	20%
Profit before tax	7,830	6,930	13%
Profit after tax	6,230	5,819	7%

Note: Consolidated number

Compared to the plan of 2013 in the strategic plan of 2012 – 2016 which was approved by the AGM 2012, this plan of 2013 is revised up as follows:

(billion dong)	Original estimate of 2013	Revised plan of 2013	Increase (billion dong)
Total revenues	31,780	32,500	720
Profit before tax	6,355	7,830	1,475
Profit after tax	5,230	6,230	1,000

Consequently, the average growth rates in 2011 – 2013 are as follows:

(billion dong)	2011	2012	Plan 2013	Growth rate (%/year)
Total revenues	22,071	27,102	32,500	21.3%
Profit before tax	4,979	6,930	7,830	25.4%
Profit after tax	4,218	5,819	6,230	21.5%

b. Plan of investment in fixed assets

The Board would like to propose to the Board for approval the disbursement plan for 2013 as follows:

(billion dong)	Total investment to 2016	Already paid	Disbursement in 2013	Disbursement in 2014 - 2016
TOTAL	10,539	5,605	2,599	2,335
VINAMILK	8,092	5,313	1,824	954
Vietnam Dairy Factory	2,349	1,683	654	12
Vietnam Infant Powdered Milk Factory (Dielac II)	1,906	1,438	400	68
Đà Nẵng Dairy Factory	418	362	14	43
Branch office building and warehouses	622	126	201	294
Expansion at existing factories, branches, sales, IT	2,796	1,704	554	538
LAMSONMILK	503	66	300	137
VIETNAM DAIRY COW COMPANY	1,780	225	473	1,082
INTERNATIONAL REAL ESTATE CO	100	0	2	98
RESERVES	64	0	0	64

c. Profit distribution in 2013

According to the Charter, appropriation to the funds is as follows:

Investment & development fund	10% of profit after tax
Bonus and welfare fund	10% of profit after tax
Financial reserve fund	Not higher than 5% of profit after tax, appropriated until the Financial reserve fund is equivalent to 10% of the Company's Charter Capital
Cash dividend	34% par value (3.400 dong/share)

Time of dividend payment:

- Interim dividend (1st dividend of 2013): September 2013
- Final dividend (2nd dividend of 2013): June 2014.

4. Selection of the Independent Auditor for the Fiscal Year 2013

The Inspection Committee has reviewed and assessed the tender documents from the Big-4 auditing companies. The Inspection Committee would like to propose to the AGM to choose KPMG Ltd. to be the independent auditor for Vinamilk for the fiscal year 2013.

5. Amendment to the Charter

In order to improve the corporate governance, the Board would like to propose amendment to the Charter to the Board for approval (*please see the annex*)

6. The number of members of the Board of Management

According to Article 19.1 of Vinamilk's Charter, the number of the members of the Board of Management will not be less than 5 and more than 11 members.

The AGM 2012 approved that the number of members of the Board of Management in the office term of 2012 – 2016 (the term will be expired at the AGM 2017) is 05 members

However, according to the Circular 121, at least 1/3 of the Board of Management is independent members. Therefore, the Board would like to propose to the AGM that the number of members of the Board should increase **from 5 to 7**.

The Board also proposes to the AGM to approve the list of candidates to the position of independent Board members as follows:

1. Ms. Lê Thị Băng Tâm
2. Mr. Hà Văn Thắm

(Please find their curricula vitae in the appendix)

7. The number of members of the Inspection Committee

According to Article 31.4 of Vinamilk's Charter, The Inspection Committee cannot have less than 3 members or more than 5 members.

The AGM 2012 approved the number of members of the Inspection Committee in the office term of 2012 – 2016 (the term will be expired at the AGM 2017) is 03 members

However, to help the Inspection Committee to carry out its duty, it is proposed that the AGM should approve of the number of members of the IC increasing **from 3 to 4**.

In addition, Mr. Nguyen Anh Tuan – a member of the Inspection Committee – would like to resign because of personal reasons. Therefore, the Board would like to propose that the AGM appoint 2 members for the Inspection Committee in the office term of 2012 – 2016. The Board also proposes to the AGM to approve the list of candidates to the Inspection Committee as follows:

1. Ms. Nguyễn Thị Tuyết Mai
2. Mr. Vũ Trí Thức

(Please find their curricula vitae in the appendix)

8. Remuneration for the Board in 2013

The Board would like to propose to the AGM for approval the total remuneration for the Board in 2013 of 4,880 million dong, an increase of 30% compared to 2012 because the number of members increases by 40%

9. Remuneration and budget for the Inspection Committee in 2013

- Total remuneration for the Inspection Committee in 2013 is 2,016 million dong, an increase of 36% compared to 2012 because the number of members increases by 33%.
- Budget for operation (not including remuneration) for the Inspection Committee in 2013 is not higher than 20% of the total remuneration for the Inspection Committee.

10. Establishment of the Risk Management Committee of the Board

The Board would like to propose to the AGM the establishment of the Risk Management Committee of the Board with main responsibilities as follows:

- Approving a suitable structure of the risk management for the Company and assessing the effectiveness of this structure
- Reviewing the risk management policy, the risk acceptance level and the criteria – parameter of the Company for the Board
- Managing the key risks according to timing order, possibility, and influence, the sufficiency of the actions, explanation responsibility and changes.
- Periodically reviewing the reports and assessing the risk management task at the Company, approving the announcement related to risk management in public report (such as the annual report, etc.)

11. Directors' Liability Insurance

The Board would like to propose that the AGM should allow the Company to buy the Directors' Liability Insurance with popular terms applied in Vietnam

12. Approval of the Appointment of Mr. Pascal De Petrini to the Board of Management

On 4th December 2012, Mr. Wang Eng Chin resigned from the Board because of personal reasons. The Board approved his resignation and appointed Mr. Pascal De Petrini as a replacement for Mr. Wang Eng Chin since 4th December 2012. Mr. Pascal De Petrini is the CEO of Food & Beverage division of F&N Group, Singapore, and is nominated by the major shareholder F&N &N Dairy Investment Pte. Ltd. as the representative of F&N (please find his CV in the appendix).

The Board would like to propose the appointment of Mr. Pascal De Petrini to the Board for the AGM's approval.

13. Chairman / chairwoman acting concurrently as the CEO

According to the Charter, the Board would like to seek for the AGM's approval on the chairman / chairwoman acting concurrently as the CEO.

14. Employee Stock Ownership Plan (ESOP)

According to the proposal of a group of minority shareholders holding 11.25% of Vinamilk's charter capital, the Board would like to propose that the AGM approves the ESOP for the period of 2012 – 2016 as follows:

For each of the financial years 2012 – 2016:

- Based on the profit before tax CAGR of 21% measured from 2011: the Company will issue 0.4% of the charter capital per year as ESOP for the period
- Based on the profit before tax CAGR of 16% to 20% measured from 2011: the Company will issue 0.2% of the charter capital per year as ESOP for the period

- For anything below a profit before tax CAGR of 16% measured from 2011: there is no ESOP granted for the period
- Selling price to the employees will be equal to the book value of Vinamilk's share at the end of each financial year
- Transfer of the shares will be restricted in 3 years from the date of issuance, with one-third granted each year.

15. Appointment of Independent Board members and members of the Inspection Committee

The Board would like to propose that the AGM appoints 2 independent Board members and 2 members for the Inspection Committee in the office term of 2012 – 2016.

(Please find their curriculum vitae in the appendix)