

**VIETNAM DAIRY PRODUCTS JOINT STOCK  
COMPANY**  
(Security code: VNM)

**Documents**

*for*

**ANNUAL GENERAL MEETING OF  
SHAREHOLDERS**

**2016**

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# REPORT OF BOARD OF MANAGEMENT ON COMPANY'S PERFORMANCE IN 2015

1. 2015 was a year in which instability still existed in the global market, major economies were yet to reclaim their growth and recovery was slow. Crude oil's price went down significantly, commodities' prices fluctuated.
2. However, overcoming those obstacles of the external market, Vietnam's economy had achieved positive transformation in 2015. Gross domestic products (GDP) increased 6.7% in 2015, higher than the 6% of 2014. Inflation remained at the low level of 0.6%. Investments also increased due to an increase in foreign direct investment (FDI) and the recovery in domestic credit growth. In terms of demand, consumers' belief was consolidated which led to an increase in personal consumption, retail sales, total sales in retail goods & consumer services increased 9.5% compared to previous year (if eliminating the price factor, the increase was 8.4%, higher than the 8.1% of 2014).
3. Specifically for Vinamilk, having overcome challenges of 2014 (fluctuation in raw milk's price, regulation on price ceiling on dairy products, etc.), performance of 2015 had shown significant growth, outperformed plans assigned by the AGM. This is a very applauding result, especially when Vinamilk did not increase selling prices of our dairy products throughout the year, and revenue growth was all due to growth in sales volume.

In details as follows (consolidated figures):

(Billion VND)	Actual 2015	Budget 2015	Actual 2014	% budget	Growth vs 2014
Total revenue	40,223	38,424	35,187	105%	14%
Profit before tax	9,367	8,229	7,613	114%	23%
Profit after tax	7,770	6,830	6,068	114%	28%

4. Key drivers affecting business performance of Vinamilk in 2015 are as follows:
  - (a) Market's demand: buying demand of consumers on dairy products increased. Average milk consumption of Vietnam was still low compared to other countries regionally and globally, and the dairy industry of Vietnam was experiencing a bull market.

- (b) Importing raw powder milk's price decreased, after surging in 2013-2014, which helped improve gross margin of the Company from 32% in 2014 to 40% in 2015.
  - (c) Export recovered after its decline in 2014 due to instability in Middle East region. The Company kept exporting to traditional markets in South East Asia and Middle East, while focusing on penetrating potential markets in Africa.
  - (d) Increasing competition – competition in the dairy industry continued to increase. Dairy companies fostered media advertisement, promotions, retail supports, etc. in order to boost sales. As a way to maintain the leading position, the Company had also increased selling expenses. Consequently, we had successfully increased market shares in all 4 categories of liquid milk, drinking yogurt, infants' powdered milk, experienced a slight increase in sweetened condense milk, and maintained stability in market share of eating yogurt compared to 2014 (source: Nielsen Retail Audit).
  - (e) Corporate income tax – due to changes in policy of corporate income tax incentives, average corporate income tax of Vinamilk decreased from 205% in 2014 to around 17% in 2015.
5. Besides financial performance, several achievements Vinamilk earned in 2015 are as follows:

#### 5.1 New products

In 2015, Vinamilk continued to launch new products such as the new powdered milk Optimum Gold which helps brain & body development of children, the nutritional prepared drinking milk, ice-cream Ozé for teenagers, premium ice-cream Twin Cow aiming for the upper class.

#### 5.2 Raw milk zone

- (a) The herds' size providing milk for the Company in 2015, including both cows from Vinamilk's farms and cows of the farmers who signed contracts with Vinamilk, was more than 110,000 cows.
- (b) In 2015, Vinamilk procured total 216,500 tons of milk, in which, raw milk from Vinamilk's farms was 37,600 tons, increasing 28%; raw milk from farmers was 178,900 tons, increasing 16% compared to 2014.
- (c) Vinamilk's farms had achieved certificates such as ISO 9001 : 2008 issued by Bureau Veritas (France), Global Gap certificate on good practice of milk farming issued by Control Union (Netherland). Besides, Vietnam Dairy Cow One-Member also achieved certificate "High-tech agricultural company" issued by Head of Ministry of Agriculture & Rural Development.

### 5.3 Human Resource

Vinamilk's human resource had achieved significant results. Vinamilk received 2 prizes rated externally as the most favorite Employer and the Company whose employees feel satisfied the most.

### 5.4 Information technology system

(a) Successfully implemented salesonline nationally.

(b) Established new solutions to improve security for the whole system.

### 5.5 Titles achieved throughout the year

A few significant titles in 2015:

(a) Top 50 public companies of Vietnam – Forbes Vietnam

(b) Top 50 most valuable brands of Vietnam – Brand Finance (England) rated

(c) New Zealand – ASEAN Prize awarded by New Zealand

(d) Top 100 ASEAN – Top 300 ASIA awarded by Nikkei Asian Review

6. Not only making efforts to complete financial targets, Vinamilk also endeavored to achieve sustainable growth, social responsibility, focusing on expanding in an environmental-friendly way, ensuring green & clean in all activities of Vinamilk from plants to farms.
7. Integration process of Vietnam into the global economy has opened many opportunities but also set challenges to companies, among which was Vinamilk. Stepping into 2016, Vinamilk continues to set the target to maintain our position as the leading dairy company of Vietnam, continues to expand market, to improve quality and diversify products, develop human capital, enhance internal control system and manage risks to adapt with competitions as well as international integration.

# **REPORT ON OPERATION OF BOARD OF MANAGEMENT IN 2015**

*(Please refer to Annual Report 2015, page 94 to 96 and page 101 to 103)*

**BOARD OF MANAGEMENT'S  
SUPERVISION REPORT ON  
THE CEO & BOARD OF  
EXECUTIVE DIRECTORS**

*(Please refer to Annual Report 2015, page 90)*

# **REPORT OF THE INSPECTION COMMITTEE**

*(Please refer to Annual Report 2015, page 98 to 101)*

# VOTING

## **Issue 1. AUDITED FINANCIAL STATEMENTS, REPORTS OF THE BOARD OF MANAGEMENT AND INSPECTION COMMITTEE ON 2015 OPERATIONAL PERFORMANCE**

The Board of Management proposes the AGM to adopt 2015 Audited Financial Statements audited by KPMG (Vietnam) Ltd. Co. and the 2015 operational performance reports of the Board of Management and Inspection Committee (Fully-presented in the Annual Report 2015).

## **Issue 2. DIVIDENDS AND DISTRIBUTION OF 2015 PROFIT**

1. The 2015 AGM adopted a cash dividend of at least 50% profit after tax for 2015, a deduction of 10% of profit after tax for development fund, and a deduction of 10% of profit after tax for bonus & welfare fund
2. The Board of Management implemented the first interim dividend for 2015 as follow:
  - (a) Dividend rate: 4,000 dong/share;
  - (b) The record date was August 14<sup>th</sup> 2015, the payment date was September 04<sup>th</sup> 2015.
3. Based on the business result of 2015, the Board of Management proposes the AGM to adopt the remaining dividend for 2015 as follows:
  - (a) Dividend rate : 2,000 dong/share
  - (b) Record date : June 6<sup>th</sup> 2016
  - (c) Payment date : June 16<sup>th</sup> 2016
4. In summary, the distribution of 2015 profit is as follow:

(Vietnam dong)	Consolidated
Undistributed profits balance at the beginning of 2015	7,157,699,467,945
Bonus shares issued in 2015 <sup>(1)</sup>	(2,000,207,940,000)
Second dividend for 2014 <sup>(2)</sup>	(2,000,237,208,000)
Profit after tax for 2015	7,773,409,631,243
<b>Profit distribution in 2015:</b>	

1) Funds for Development Investment <sup>(3)</sup>	(769,488,863,029)
2) Funds of welfares and bonuses <sup>(4)</sup>	(768,905,099,077)
3) Dividends	
□ First dividend for (4,000 dong/share, implemented)	(4,000,474,416,000)
□ Second dividend for 2015 (2,000 dong/share, to be implemented, estimated) <sup>(5)</sup>	(2,401,324,386,000)
<b>Undistributed profits balance<sup>(6)</sup></b>	<b>2,990,471,187,082</b>

**Notes:**

(1) - (2)-(3)-(4) are under the 2015 AGM Resolution.

(5) = 2,000 dong/ share x Total number of issued shares (1,200,662,193 shares). The actual payment is likely to be lower, variable to the outstanding shares at the recording time due to the fact that treasury shares are not entitled to dividend payments.

(6) Variable to the actual payment of the second dividend for 2015, which is based on outstanding shares.

### Issue 3. BUSINESS PLAN FOR 2016

1. Revenues-profit in consolidation for 2016 are planned as follows:

(in billion dong)	Plan 2016	Actual 2015	Increase/decrease	
			In Value	%
Revenues	44,560	40,223	4,337	11%
Profit before tax	10,020	9,367	653	7%
Profit after tax	8,266	7,770	496	6%

Note: The CIT rate of Vinamilk on average in 2016 is estimated at 17.5%.

2. Adjusted investment plan of 2012 - 2016

The Board of Management proposes the AGM to adopt the adjustment to total investment capital for the course of 2012-2016 (“T.I.C 2012-2016”) as follows:

No.	In billion dong	T.I.C 2012-2016 (adopted in 2015)	T.I.C 2012-2016 proposed for adjustment
1	Vinamilk	7,900,418	8,448,144
2	Lam Son Milk	858,160	789,453
3	Vietnam Dairy Cow Company	1,775,371	1,616,553
4	Other subsidiaries and associates	2,346,459	1,346,459
5	Contingency	115,821	300,000
	<b>Total</b>	<b>12,996,229</b>	<b>12,500,609</b>

### 3. Plan of 2016 profit distribution

The Board of Management proposes the AGM to adopt 2016 profit distribution as follows:

- |                                     |                              |
|-------------------------------------|------------------------------|
| 1) Funds for development investment | 10% profit after tax (“PAT”) |
| 2) Funds of welfares and bonuses    | 10% PAT                      |
| 3) Cash dividend rate               | At least 50% PAT             |

#### (a) Time of dividend payments:

- 1) First dividend for 2016 : August-September 2016

On the occasion of the 40th anniversary, the Board proposes the first interim dividend rate for 2016 is expectedly **4,000 dong per share**.

- 2) Second dividend : May-June 2017

### **Issue 4. ISSUING AND LISTING OF BONUS SHARES FOR EXISTING SHAREHOLDERS TO INCREASE SHARE-CAPITAL WITH OWNERS’ EQUITY ON THE 40<sup>TH</sup> ANNIVERSARY OF VINAMILK**

On the occasion of the 40<sup>th</sup> anniversary, the Board proposes the AGM to approve the issuing to and listing of additional shares for its existing shareholders to increase share-capital with owners’ equity (bonus shares) with details as follows

1. Ratio of **1:5**, which means that for five (05) ordinary shares held at record date, one (01) bonus share is given; the number of bonus shares to be issued depends on the number of total outstanding shares at the record date, and is not more than 241,915,440 shares;
2. Number of bonus shares is rounded down to the unit. Fractional shares (if any) will be cancelled;
3. Capital source for the issuing comes from Investment & Development fund, and, if that fund is not enough, from undistributed earnings;
4. Bonus shares can be transferable;
5. The right of receiving bonus shares is non-transferable;
6. Bonus shares will be listed on Ho Chi Minh Stock Exchange (HOSE);

7. Authorizing the Board to choose a record date for the issuing of bonus shares and to complete the necessary procedures of issuing and listing bonus shares on HOSE after receiving approvals from the State Securities Committee, Vietnam Depository Centre (VSD) and HOSE

Record date is expected in the third quarter of 2016;

8. Increasing the share capital of the Company by total par value of actual bonus shares, which is shown in an issuing result report to be filed to the State Securities Committee after the issuing completes; the maximum increase in the charter capital is 2,419,154,400,000 dong;
9. Authorizing the legal representative of the Company to conduct a share-capital adjustment to Certificate of Business Registration with Department of Planning and Investment of Ho Chi Minh City after the issuing completes. The execution is no later than December 31, 2017.

#### **Issue 5. EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)**

Our achievements in 2012 – 2016 are better than the targets approved by the General Shareholders Meeting, whilst the global economy and Vietnam economy have experienced fluctuations. On the other hand, the year of 2016 is the 40<sup>th</sup> anniversary of Vinamilk. Therefore, the Board would like to propose the Board to approve the ESOP as follows:

1. Total shares under the ESOP are 9,437,795 shares, including:
  - a. Selling 522,795 treasury shares to the employees, equivalent to 0,04% of total shares of Vinamilk. (These shares are bought back from employees under the ESOP of 2007 – 2011 at the buying price of 10,000 dong per share)
  - b. Issuing 8,9150,000 new shares, equivalent to 0.74% of total shares of Vinamilk
2. Purpose: issuing shares and selling treasury shares under the ESOP for employees of Vinamilk group;
3. Participants: employees of Vinamilk group in the list approved by the Board.
4. Way of issuing: directly to employees
5. Plan to use money from the issue and from selling treasury shares: for business operation and working capital;

6. Type of shares: common shares;
7. Par value: 10,000 dong/share;
8. Selling price of the newly-issued shares and the treasury shares: two (02) times of book value per share of the Company, as in the latest financial reports at the time of issuing which are reviewed by the auditor;
9. Expected timing: in 2016;
10. The shares will be listed on HOSE;
11. Increasing the share capital of the Company by total par value of actual bonus shares, which is shown in an issuing result report to be filed to the State Securities Committee after the issuing completes; the maximum increase in the charter capital is 89,150,000,000 dong;
12. Authorizing the Board:
  - a. To promulgate a statute for the ESOP
  - b. To approve a list of participants in ESOP and number of shares each participant can buy
  - c. To decide what to do with the shares that are not issued;
  - d. To carry out necessary procedures to sell the treasury shares, to issue new shares and to list those shares on HOSE after receiving approval from SSC, VSD and HOSE
  - e. To complete or amend the issue plan according to requirements from SSC and /or for the purpose of complying with relevant laws, and to make decisions and perform the tasks the Board considers as necessary and relevant to implement ESOP.
13. Authorizing the legal representative of the Company to conduct a share-capital adjustment to Certificate of Business Registration with Department of Planning and Investment of Ho Chi Minh City after the issuing completes. The execution is no later than December 31, 2017

**Issue 6. SELECTION OF INDEPENDENT AUDITOR IN 2016**

The Inspection Committee proposes the AGM to approve KPMG (Vietnam) Ltd. Co. as the independent auditor for Vinamilk in 2016.

**Issue 7. REMUNERATION FOR THE BOARD OF MANAGEMENT AND INSPECTION COMMITTEE IN 2016**

Remuneration for the Board of Management and the Inspection Committee remained unchanged in 3 years of 2013 – 2014 – 2015, while the size and operation of the Company has been expanding. Therefore, the Board of Management proposes the AGM to adopt the remuneration of 15 billion dong for the Board of Management and Inspection Committee in 2016

**Issue 8. RATIO OF FOREIGN OWNERSHIP**

The issue of foreign ownership ratio will be presented, discussed at the AGM

**Issue 9. TURNING LAMSONMILK INTO A BRANCH**

In order to synchronize business operation of Lam Son Dairy One-Member Co., Ltd (“Lamsonmilk”) with the business operation of Vietnam Dairy Joint Stock Co., the Board proposes the General Meeting of Shareholders to approve to turn Lamsonmilk into a subordinate unit (branch) of Vietnam Dairy Joint Stock Co. under the form of corporation merger. Madam Mai Kieu Lien, legal representative of the Company, has the responsibility to perform related procedures required by law to complete this merger