



TOP TECHNOLOGY

COMPARABLY THE WORLD CLASS



VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

STOCK TICKER: VNM

Company name : Công Ty Cổ Phần Sữa Việt Nam

English business name : Vietnam Dairy Products Joint Stock Company

Abbreviated name : Vinamilk

Stock ticker : VNM

Share capital : VND 8,339,557,960,000

Head office : No.10 Tan Trao Street, Tan Phu Ward,

District 7, Ho Chi Minh City

Tel : (+84. 8) 54 155 555

Fax : (+84. 8) 54 161 230

Email : vinamilk@vinamilk.com.vn

Business registration certificate and tax code: 0300588569

www.vinamilk.com.vn



NOTICE

ANNUAL GENERAL MEETING OF SHAREHOLDERS 2014

Vietnam Dairy Products Joint Stock Company (Vinamilk) sincerely informs our valuable shareholders of the Annual General Shareholders Meeting ("the AGM") in 2014 as follows:

Name of the Company : VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY (VINAMILK)

Stock ticker : **VNM**

Type of stock : Common share

Face value per share : VND 10,000/share

Ex-right date : March 20th 2014

Record date : March 26th 2014

1. Time: April 25th 2014, 8 a.m. – 12 a.m. (guest reception from 8 a.m. and opening at 9 a.m.).

2. Venue: InterContinental – Asiana Saigon Hotel - 39 Le Duan, Ben Nghe Ward, District 1, HCMC.

- 3. Contents::
 - » Report on business results in 2013
 - » Report on the Board of Management's activities (BOM) in 2013
 - » Report on Chief Executive Officer supervision of the BOM
 - » Report of the Inspection Committee (IC)
 - » Issues to be approved by the AGM:
 - Audited financial statements and report of the IC on business results in 2013
 - Profit distribution for 2013
 - Business plan in 2014, profit distribution for 2014, and allowance for the BOM and the IC in 2014
 - Selection of auditing company in 2014
 - ♦ Appointment of Mr. Ng Jui Sia into the BOM
 - Chairwoman concurrently acting Chief Executive Officer
 - » Other matters under the AGM's jurisdiction.
- **4.** It is kindly suggested that the shareholders should make registration beforehand in favour of well-organized service.

Time of registration: from April 10th 2014 to 2 p.m. on April 24th 2014.

5. The shareholders present in person or by proxy are respectfully advised to register by telephone, facsimile or email to: **Vietnam Dairy Products Joint Stock Company (Vinamilk)**

No.10 Tan Trao Street, Tan Phu Ward, District 7, HCMC

Tel.: (08) 54 155 555 (ext. 108403/108401) - Fax: (08) 54 161 226

Email: ntanh1@vinamilk.com.vn

- 6. Documents for registration of proxy shall include a letter of attorney, a copy of the shareholder's identify card (ID card) or passport, and proxy's ID card. The sample of a letter of attorney shall be available on Vinamilk's website at www.vinamilk.com.vn from **April 10th 2014**.
- 7. This notice shall be fully honoured as Invitation Letter. Meeting documents shall be available on Vinamilk's website at www.vinamilk.com.vn from **April 10th 2014**.
- 8. The shareholders attending the meeting are advised to carry ID card or passport.





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192 CONTACTS





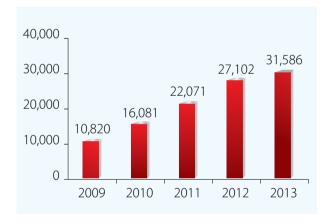
KEY FINANCIAL INFORMATION (consolidated, audited)

Unit: VND Billion

| | | | | —————————————————————————————————————— | |
|--|---------|---------|--------|--|---------|
| For the year ended December 31st | 2009 | 2010 | 2011 | 2012 | 2013 |
| STATEMENT OF INCOME | | | | | |
| Total revenue | 10,820 | 16,081 | 22,071 | 27,102 | 31,586 |
| Net revenue | 10,614 | 15,753 | 21,627 | 26,562 | 30,949 |
| Gross profit | 3,879 | 5,174 | 6,588 | 9,077 | 11,183 |
| Gross margin | 36.5% | 32.8% | 30.5% | 34.2% | 36.1% |
| Net operating profit | 2,595 | 3,643 | 4,751 | 6,630 | 7,712 |
| Results of other activities | 136 | 609 | 237 | 287 | 255 |
| Share of profit in associates | - | (0) | (9) | 13 | 44 |
| Profit before tax | 2,731 | 4,251 | 4,979 | 6,930 | 8,010 |
| Net profit after tax | 2,376 | 3,616 | 4,218 | 5,819 | 6,534 |
| Net margin | 22.4% | 23.0% | 19.5% | 21.9% | 21.1% |
| Earnings per share (VND) | 6,769 | 6,834 | 5,145 | 6,981 | 7,839 |
| BALANCE SHEET | | | | | |
| Current assets | 5,069 | 5,920 | 9,468 | 11,111 | 13,019 |
| Long-term assets | 3,413 | 4,853 | 6,115 | 8,587 | 9,856 |
| Total assets | 8,482 | 10,773 | 15,583 | 19,698 | 22,875 |
| Current liabilities | 1,735 | 2,645 | 2,947 | 4,145 | 4,956 |
| Long-term liabilities | 256 | 164 | 159 | 60 | 351 |
| Total liabilities | 1,991 | 2,809 | 3,105 | 4,205 | 5,307 |
| Owner's equity | 6,455 | 7,964 | 12,477 | 15,493 | 17,545 |
| Minority interest | 35 | - | - | - | 23 |
| Total resources | 8,482 | 10,773 | 15,583 | 19,698 | 22,875 |
| STATEMENT OF CASH FLOWS | | | | | |
| Profit before tax | 2,731 | 4,251 | 4,979 | 6,930 | 8,010 |
| Depreciation and amortisation | 234 | 290 | 415 | 535 | 786 |
| Operating profit before changes in working capital | 2,739 | 3,892 | 5,001 | 7,087 | 8,402 |
| Net cash flows from operating activities | 3,097 | 2,019 | 2,411 | 6,252 | 5,295 |
| Net cash flows from investing activities | (2,476) | (643) | 6 | (4,974) | (1,590) |
| Net cash flows from financing activities | (533) | (1,188) | 126 | (2,225) | (3,168) |
| Cash and cash equivalents at the year of the year | 426 | 613 | 3,157 | 1,252 | 2,746 |
| | | | | | |

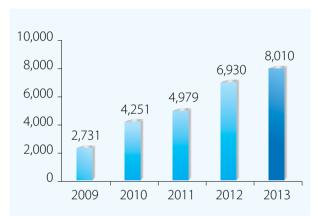
Total revenue (VND billion)

Compound average growth rate (CAGR)

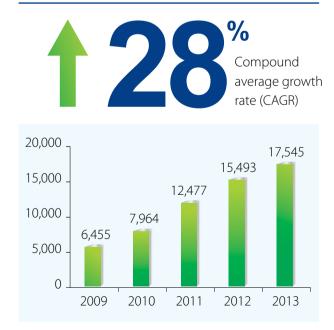


Profit before tax (VND billion)

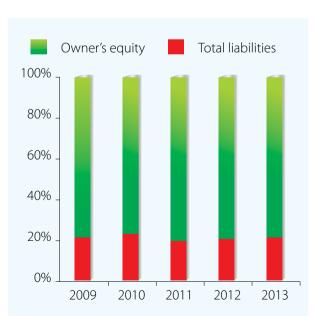




Owner's equity (VND billion)



Owner's equity and total liabilities







VISION, MISSION, CORE VALUES



Vision

To become a world grade brand in food and beverage industry, where people put all their trust in nutrient and health products.



Mission

To deliver the most valuable nutrition to community with our respect, love and responsibility.





To respect the established ethical standards and act accordingly.



Integrity and transparency in actions and transactions.



To comply with legal regulations, the Company's Code of Conduct, and the Company's procedures and policies.



To have self-respect, to respect colleagues. To respect the Company and partners.
To cooperate with respect.



To be fair with employees, customers, suppliers, and other parties.



INTEGRITY



RESPECT



FAIRNESS



COMPLIANCE



ETHICS



CORPORATE HISTORY



Our Company was founded under the name of Southern Coffee-Dairy Company, a subsidiary of the Food General Directorate and had two factories in operation, namely Thong Nhat Dairy Factory and Truong Tho Dairy Factory.

The Company had more factories: Bich Chi Powder Factory, Lubico Cake Factory and Bien Hoa Coffee Factory.

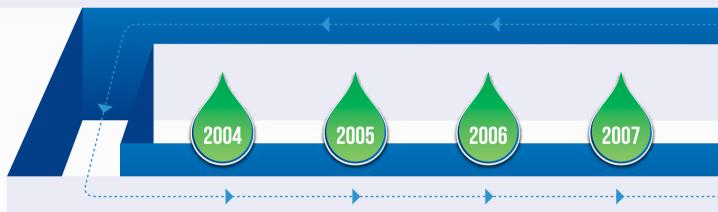
The Company was transferred to the Ministry of Food Industry and the Company was renamed United Enterprises of Milk Coffee Cookies and Candies I.

Dielac Powdered Milk Factory came into operation and introduced its first batch of products to the market in Vietnam. The "white revolution" started the development of fresh milk. The first time we launched UHT milk products and yoghurt to the Vietnam market.

The United Enterprises of Milk Coffee Cookies and Candies I was formally renamed Vietnam Dairy Company and came under the direct management of the Ministry of Light Industry.

In the expansion plan to meet the market demand in the North, the Company built the Hanoi Dairy Factory.

On October 7th 1994, the sales office was opened and responsible for sales activities in the north provinces.



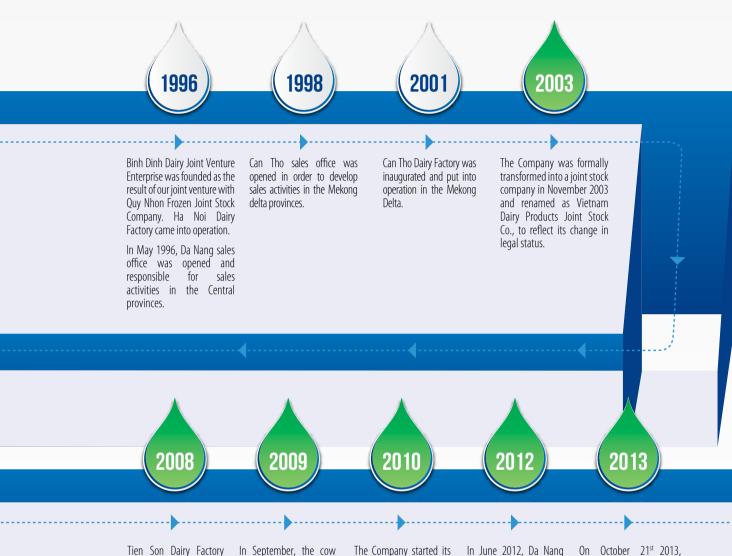
Acquired Saigon Milk Joint Stock Company and increased share capital of the Company to VND 1,590 billion. Bought our joint venture partner's remaining equity in Binh Dinh Dairy Products Company Ltd (which was then known as Binh Dinh Dairy Factory) and inaugurated Nghe An Dairy Factory on 30 June 2005.

Vinamilk was listed on Hochiminh City Stock Exchange (HOSE) on 19 January 2006.

In June, An Khang Clinic was opened in Ho Chi Minh City. The clinic provides nutrition advices, paediatrics, and general health checks for all functions. It is the first clinic in Vietnam to be managed information by electronics.

In November, we started our cow farm development by buying Tuyen Quang cow farm with 1,400 heads. The farm was put into operation afterwards.

In September 2007, the Company acquired a controlling stake of 55% in Lam Son Milk Company Ltd., located in Le Mon Industrial Zone, Thanh Hoa province and changed its name into Lam Son Milk Joint Stock Company.



Tien Son Dairy Factory was inaugurated and put into operation in Hanoi.

In September, the cow farm in Nghe An was opened. This is the most modern farm in Vietnam with its designed size of 3,000 cows.

The Company started its strategy of investment overseas by contributing nearly USD 10 million (equivalent to 19.3% of project's share the capital) in a powdered milk project in New Zealand.

dairy factory was opened and put into commercial operation.

Acquired 100% shares from F&N Vietnam Limited and changed its name to Dielac Dairy One Member Co., Ltd. This is 100% new and the second powdered milk factory of

Acquired the remaining shares of Lam Son Milk Joint Stock Company and changed its name to Lam Son Dairy One Member Co., Ltd.

Inaugurated and put the Beverage Factory into operation in Binh Duong.

Vinamilk was honoured by Forbes Asia for its "Top 200 Best Under A Million" in Asia 2012. This was the first and unique a Vietnamese company was honoured in the list of Forbes Asia.

On October 21st 2013, Thong Nhat Thanh Hoa Dairy Cow Co., Ltd. was granted business registration certificate by Department the Planning and Investment of Thanh Hoa Province. Vinamilk holds 96.33% of share capital and becomes the parent company of this entity.

On December 6th 2013, the Company was granted the investment certificate no. 663/BKHĐT-ĐTRNN by the Ministry of Planning and Investment regarding the acquisition of a controlling stake (70%) of Driftwood Dairy Holding Corporation, California, USA.

PRINCIPAL BUSINESS ACTIVITIES

The principal activities generating revenue and profit for the Company in 2013 include:

- Processing, producing and trading cake, soy milk, fresh milk, beverage, packed milk, powdered milk, nutrition powder and other dairy products;
- Raising cattle: growing dairy cows, supply of breeding animals and breeding techniques, running agricultural operations;
- Real estate business;
- Providing health care clinic services.

In which, raising cattle is for the main purpose of supplying fresh milk as raw material to manufacture the Company's dairy products.

The Company's major products are grouped into the categories as follows:

- Dairy products: contribute more than 95% of the Company's total revenue.
 They include the following categories:
 - Powdered milk and nutrition powder
 - **♦** Condensed milk
 - Liquid milk: pasteurized milk, UHT fresh milk, UHT milk and drinking yoghurt
 - Fermented yoghurt
 - Other dairy products: Ice-cream, cheese
- » Healthy beverages: contribute nearly 5% of the Company's total revenue. Including:
 - Soy milk
 - Fruit juices: apple, orange, grape, etc.
 - Tea: Aloe Vera green tea, Ganoderma Lucidum tea and artichoke tea.
 - Other beverages: bottled drinking water, salty lemonade, soaked apricot, etc.







các bà mẹ chọn Dielac Pedia liên tục từ 6 tháng trở lên **hài lòng**

với sự tăng cân của bé*



Thực phẩm bố sung vị chất dinh đường:

Thur phẩm dịnh dường đành cho tri từ 4-5 tuổi DIELAC PEDIA

PRODUCT PORTFOLIO





POWDERED MILK AND NUTRITION POWDER

POWDERED MILK FOR PREGNANT AND BREAST-FEEDING WOMEN



DIELAC MAMA

ENHANCE MOTHER'S HEALTH, SUPPORT FOR **BABY'S DEVELOPMENT**

| Users | Pregnant and breast-feeding women. | | |
|----------|--|--|--|
| Features | Dielac Mama With new formula fortified vitamins and minerals TO help ENHANCING mother's health and support for baby's development. • Enhance mother's health: Iron, lodine, Soluble fibre | | |
| | Support baby's development: DHA, folic acid, calcium. | | |
| Package | » Tin 900 g.» Carton box 400 g.» Tin 400 g. | | |





DIELAC OPTIMUM MAMA

COMFORTABLE PREGNANCY FOR MOTHER, GOOD DEVELOPMENT FOUNDATION FOR BABY

| Users | Pregnant and breast-feeding women | | |
|----------|--|--|--|
| Features | With Opti-Immune formula, Dielac Optimum Mama helps strengthen digestive health & resistance of the mother and fully provides essential nutrients to meet the increased nutritional needs during pregnancy and breast-feeding period; helping improve the mother's health and build a foundation for the baby's overall development in the future. | | |
| Package | » Tin 900 g & 400 g | | |

POWDERED MILK FOR INFANTS AND YOUNG CHILDREN

DIELAC ALPHA step 1 / step 2 / step 123 / step 456



NUTRITION SPECIALLY DESIGNED FOR VIETNAMESE CHII DRFN

Users

- ♦ For children from 0 6 years of age.
- ♦ Support overall physical and brain development.
- Support for healthy weight gain.

Opti-Grow formula is developed based on the research on nutritional conditions

and diets of more than 50,000 Vietnamese children across 63 provinces. **Features**

- Support brain development.
- Enhance health and Support for digestive system.
- Stimulate physical development.

Package

- Tin 900 g.
- Carton box 400 g.
- Tin 400 g.

DIELAC STAR-CARE



FOR CHILDREN WISHING HEALTHY & TALL

- ♦ For children from 2 6 years of age
 - ♦ In need of height growth and immune system enhancement

Star-Plus formula helps:

- ♦ Support absorption Strengthen immune system
- ♦ Develop height Build up skeletal system

Also supports to:

>>

Develop brain and retinal cells

Package

Features

Users

- Tin 900 q & 400 q.
- Carton box 400 g



DIELAC OPTIMUM

step 1 / step 2 / step 3 / step 4



A HEALTHY DIGESTION IS THE FOUNDATION FOR YOUR CHILDREN'S DEVELOPMENT

Users

For children from 0 – 6 years of age, who are in need of supporting healthy digestive system for good nutrient absorption, bringing an overall development.

Features

Thanks to fortified Whey protein rich in Alpha-Lactalbumin, Dielac Optimum with Opti-Digest formula supports healthy digestive system, building a good foundation for nutrient absorption and enhancing immunity to bring the children brain development.

Package

» Tin 900 g & 400 g

DIELAC PEDIA

Dielac Pedia 1+ and 3+



SPECIAL FORMULA FOR PICKY EATING CHILDREN AND EFFICIENT WEIGHT GAIN

Users

For children from 1-6 years old having picky eating

Dielac Pedia formula is developed to help the children gradually improve picky eating status based on 3 factors:

Features

- Support height and weight development
- **♦** Enhance **immune system**
- Provide complete and easily-absorbed nutrients

Package

» Tin 900 g & 400 g

NUTRITION POWDER

RIDIELAC ALPHA

Rice & Milk / Pork & Carrot / Rice & Fruit/ Chicken & Vegetables/ Pork & Spinach/ Beef & Vegetables

NUTRITION CEREALS

Users

For children from 6 – 24 months of ages

Features

Ridielac Alpha provides sufficiently essential nutrients for the baby's development with a proper formula balancing among DHA & soluble fibre in combination with 20 vitamins and minerals.

Made from delicious and natural materials. No preservatives added.

Package

- Tin 350 g
- » Carton box 200 g



NUTRITION PRODUCTS FOR ADULTS

VINAMILK SURE PREVENT

COMPLETE NUTRITION FOR THE ELDERLY'S

Users

- Over 50-year-old people.
- Poor-diet people.
- Patients in recovery.

Vinamilk Sure Prevent is a complete nutrition product for the elderly with 03-good formula:

Features

- Good eating and sleeping.
- ♦ Good for heart.
- Good for bone.

Package

- » Powder form Tin 400 g.
- » Powder form Tin 900 g.
- » Liquid form 04 200 ml carton packs/Block



VINAMILK CANXIPRO

STRONG BONE - HEALTHY JOINT

Users

- Over 30-year-old people.
- ◆ Those who want to prevent osteoporosis and osteoarthritis, commonly creating joint pains and moving difficulty.

Vinamilk Canxipro helps strengthen bones and joints thanks to:

Features

- ♦ CALCIUM: VITAMIN D helps absorb calcium optimally and thus reinforcing bones.
- ♦ HYDROLYZED COLLAGEN PROTEIN is added to make joint resistant and flexible.

Package

- Powder form Tin 400 g.
- Powder form Tin 900 g.









VINAMILK DIECERNA

STABILIZE BLOOD SUGAR

- People affected with diabetes.
- People at high risk of diabetes.

Vinamilk Diecerna is clinically studied by the National Institute of Nutrition for the result of low blood glucose index

Features

- Isomalt: Stabilize blood sugar.
- MUFA, PUFA: Good for heart.
- ♦ FOS: Good for digestive system.
- ▲ L-Carnitine: Transform fat into energy.
- Vitamins and minerals: Enhance resistance and reduce fatigue.

Package

» Powder form – Tin 400 g.

VINAMILK DIET

EFFECTIVE & SAFE WEIGHT LOSS

Users

Overweight people from 19 – 65 years of age.

The product is clinically proven for the result of reducing 3.9 kg and slimming 5 cm of waist down after 6 using weeks.

L - **Carnitine:** Effectively burn fat and relieving fatigue.

Features

- CLA: Stimulate activity of L-Carnitine during the process of burning fat and limiting fat synthesis.
- Nutrient system balancing among protein, vitamins and minerals, ensuring to supply your body with full nutrients.

Package

» Power form – 37.5 g/bag x 14 bags/box.

VINAMILK NUTRITION

STRENGTHEN DAILY ENERGY

Users Nutrition milk for your whole family.

Vinamilk Nutrition with **Pro-Energy** nutrient system helps:

Provide the body with necessary energy:

Rich in protein: Ensure full energy for the body.

MCT: Transform energy fast.

Vitamin B: Facilitate to transform nutrients into energy.

Features

Strong bone:

Calcium, Phosphorus, Magnesium, Zinc: Build a stronger skeletal system.

Vitamin D: Stimulate absorption of Calcium from food.

Healthy digestive system:

Soluble fibre FOS: Enhance beneficial bacteria in the intestine, supporting digestive system and preventing constipation.

Package

- Power form carton box 400 g.
- » Power form tin 900 g.





LONGEVITY SWEETENED CONDENSED MILK

Longevity Condensed Milk offers essential nutrients for your development and your family's. The milk is formulated specifically to serve diverse purposes of every one. It can be drunk as a kind of milk when being stirred with warm water or can be served with bread or used to make yoghurt, milk coffee, smoothies, etc.

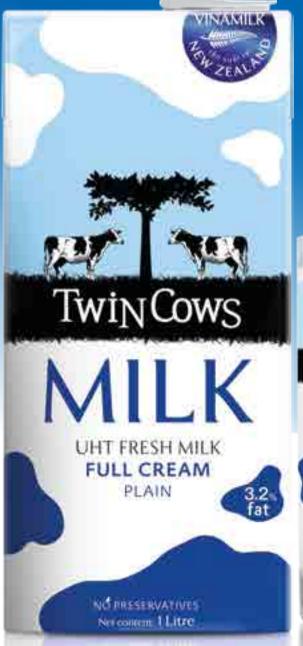


SOUTHERN STAR SWEETENED CONDENSED MILK

With components of fat from vegetable oil and no cholesterol, Southern Star Milk is very suitable for people of all ages and, especially, very good for dieters. Southern Star Condensed Milk will be a great combination to make Flan cake, Yoghurt and, particularly, very suitable to use with coffee.





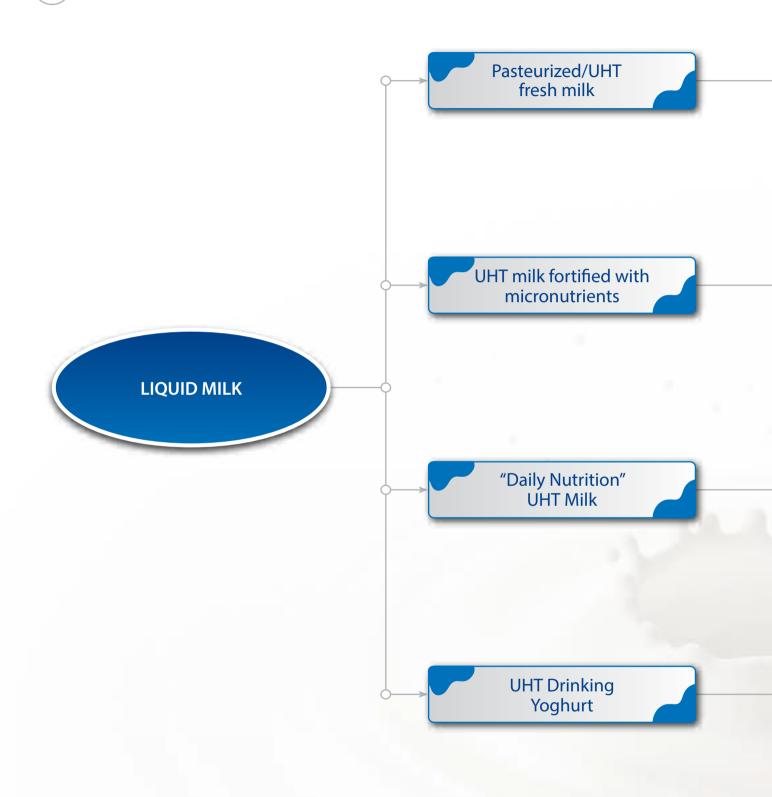


A new premium 100% UHT Fresh Milk from Vinamilk.

Made in New Zealand



100% fresh milk from natural free-range cows on New Zealand meadow





LIQUID MILK

UHT FRESH MILK – HELPS BOOST IMMUNITY







| Users | All ages. |
|---------------|---|
| Features | Made from 100% pure fresh cow's milk, naturally nutrient-rich, fresh and delicious. Fortified with Vitamin D and other nutrients (vitamins A, C, and Selenium) helping boost immunity to protect your family's health every-day. |
| | Shortly heated to 140 degrees Celsius (in 4-6 seconds) then instantly cooled down to kill harmful bacteria, yeasts, mildew to preserve natural taste and maximum nutrients. |
| | No preservatives added. |
| Product range | ♦ No sugar. |
| | • Sweetened. |
| | • Strawberry. |
| | ♦ Chocolate. |
| | |

» Carton pack 110 ml, 180 ml, 1 litter.

UHT LOW-FAT 100% FRESH MILK

Packages



| Users | For people of all ages, especially those who are in need of fat diet or against weight-gain. |
|---------------|--|
| Features | Produced by using advanced centrifugal technology to reduce 1/3 of milk's fat to help you control your fitness. The milk is treated by modern UHT sterilization technology. No preservatives added. |
| Product range | Sweetened.No sugar. |
| Package | » Carton pack 180 ml. |

PASTEURIZED FRESH MILK



| Users | All ages. |
|---------------|---|
| Features | Made from 100% pure milk and treated by bacteria removal centrifugal technology to ensure safety for consumers. |
| | ◆ Treated by the modern pasteurization technology: shortly heated to 90 degrees Celsius in 30 seconds then instantly cooled down to 4 degrees Celsius to preserve vitamins and minerals from fresh cow's milk. |
| Product range | Sweetened.No sugar. |
| | ♦ Low-fat. |
| Packages | » Carton pack 200 ml, 900 ml. |

IMPORTED TWIN COWS UHT FRESH MILK



| Users | Women from 22-45 years of age, interested in imported fresh milk products. |
|---------------|---|
| Features | UHTTwin Cows is made from New Zealand. The milk is made of 100% fresh milk from natural free-range cows on New Zealand meadow. The milk is treated by modern UHT sterilization technology. No preservatives added |
| Product range | Sweetened.No sugar. |
| Package | » Carton pack 1 litter |

UHT MILK FORTIFIED WITH MICRONUTRIENTS – ADM+



| Users | Children from 4-12 years of age. |
|---------------|--|
| | ADM milk is rich in Calcium and fortified with Vitamin A, Vitamin D3, Magnesium, Manganese and Zinc. |
| | Vitamin A: Enhance eyesight, prevent eye dryness. |
| | Calcium and Vitamin D3: Develop and strengthen bones. |
| Features | Magnesium: Transform nutrients into energy and prevent fatigue and depression. |
| | Zinc: Stimulate appetite and boost immunity. |
| | Treated by modern UHT sterilization technology. No preservatives added. |
| | Sweetened. |
| Product range | Strawberry. |
| | ♦ Chocolate. |
| Packages | » Carton pack 110 ml, 180 ml. |

FLEX UHT MILK - LOW-FAT & CALCIUM-RICH



| Users | Consumers who are in need of Calcium or on diet (also suitable for obese children over 2 years old). |
|---------------|--|
| Features | Calcium-rich and low-fat formula is developed to maintain a fit, active and healthy body. The milk is treated by modern UHT sterilization technology. No preservatives added. |
| Product range | No sugar. |
| Package | » Carton pack 1 litter. |

FLEX UHT MILK - LACTOSE-FREE



| Users | Consumers who drink milk to supplement Calcium & Vitamin D but getting symptoms which may include abdominal bloating & stomach rumbling due to lactose intolerance. |
|---------------|---|
| Features | Lactose-free formula helps remove stomach rumbling and support digestion. Calcium & Vitamin D are fortified to prevent osteoporosis. Treated by modern UHT sterilization technology. No preservatives added. |
| Product range | No sugar. |
| Package | » Carton pack 180 ml |

"DAILY NUTRITION" UHT MILK



| Users | All ages |
|---------------|---|
| Features | Provide essential nutrients for your whole family. Economic and affordable |
| | • Treated by modern UHT sterilization technology, no preservatives added. |
| | Reasonable price. |
| | ♦ No sugar. |
| Product range | Sweetened. |
| | • Strawberry. |
| | ♦ Chocolate. |
| Packages | » Pouch 200 ml, 220 ml. |

VINAMILK UHT DRINKING YOGHURT



| Users | All ages. | |
|---------------|--|--|
| Features | • Fortified with Prebiotics, which creates environment for the proliferation of beneficial microorganisms in the intestine to help balance the digestive system, Vinamilk UHT Drinking Yoghurt helps you stay healthy and active every day. Natural fermentation process offers a delicious and smooth flavor for the product. | |
| | • Treated by modern UHT sterilization technology, no preservatives added. | |
| Product range | Strawberry.Orange. | |
| Package | » Carton pack 180 ml. | |

SUSU UHT DRINKING YOGHURT



| Users | Children from 4-12 years of age. |
|---------------|---|
| Features | Fortified with natural fiber which is very helpful for digestive system, Susu UHT Drinking Yoghurt helps your children stay healthy and active every day. Natural fermentation processing offers delicious and smooth flavor, which is very attracting to children. Treated by modern UHT sterilization technology, no preservatives added |
| Product range | Strawberry.Orange. |
| Packages | » Carton pack 110 ml and plastic bottle 90 ml. |



Bạn có đủ Vitamin D hôm nay chưa?



Sửa tươi tiết trùng VINAMILK 100% Bố sung vitamin D, hỗ trợ miễn dịch



PREMIUM YOGHURT

YOGHURT FOR BEAUTY CARE

PROBEAUTY YOGHURT



Target customers

For women from 25-35 years of age. Interest in beauty care.

Features

♦ Containing 1,350 milligrams of Collagen in a pack, ProBeauty Yoghurt makes your skin firm and elastic, bringing you a vibrant and smooth skin.

-3

 Containing antioxidants from 2 types of "super fruit" (i.e. Pomegranate and Blueberry), ProBeauty Yoghurt helps slow down the aging process.

Flavours

- Pomegranate.
- Blueberry.
- Aloe Vera.

Package

» Cup 100 g.» 4 Cups/block.

YOGHURT FOR CHILDREN

SUSU YOGHURT







Target customers

For children.

♦ Containing about one billion beneficial bacteria – Probiotics L.Casei 431 from Denmark, Susu Yoghurt helps improve immature digestive system and immune system of children.

Features

• Soluble fibre and grinding fruit are fortified to stimulate digestion and nutrient absorption and thus increasing the children's appetite.

Sweetened

- Mixed strawberry and banana
- Mixed apple and banana

Package

Flavours

- » Cup 80 g.
- » 4 Cups/block.

BASIC YOGURT



| Target customers | For people of all ages. |
|------------------|--|
| Features | Delicious, pure and fresh flavours.Many choices for diverse needs of consumers. |
| Flavours | Sweetened: for those who like traditional flavour yoghurt. Less sugar: for those who eat less sugar or sugar diet. No sugar: for dieters. Kefir no sugar: for dieters, higher-classed with Kefir fermentation, good for digestive system and immune system. |
| Package | » Cup 100 g» 4 Cups/block |

MEDIUM YOGHURT

PROBI YOGHURT

GOOD FOR DIGESTION



| Target customers | For people of all ages, all your family members. |
|------------------|--|
| Features | Fortified with about one billion beneficial bacteria – Probiotics L.Casei 431 from Denmark, Probi Yoghurt helps improve your digestive system and immune system. Consuming Probi Yoghurt every day also brings you a healthier intestine. |
| Flavours | Sweetened.Strawberry.Fruit-flavoured. |
| Package | » Cup 100 g» 4 Cups/block |

PROBI DRINKING YOGURT

GOOD FOR DIGESTION





(*): Certified by the National Nutrition Institute

Target customers

For people of all ages, for all your family members.

Features

- ♦ Fortified with 13 billion beneficial bacteria – Probiotics L.Casei 431 from Denmark, Probi Drinking Yoghurt helps improve digestive health and immune system (certified by the National Nutrition Institute).
- ♦ Consuming Probi Yoghurt every day also brings you a healthier intestine.
- **♦** Sweetened. **Flavours**
 - **♦** Strawberry.
 - Melon.

Package

Bottle 65 ml. 5 bottles/block.



| Target |
|-----------|
| customers |
| |

Features

For people of all ages.

- Fortified with Vitamin A, Vitamin D3
- ♦ Naturally fermented
- No preservatives added
- **Flavours**
- Sweetened, delicious and fresh
- **Package**
- » Cup 100 g
- » 4 Cups/block

ALOE VERA YOGHURT



Target customers

For people of all ages

Especially for women interested in skin care.

Features

- Delicious, fresh and cool flavours.
- ♦ Aloe Vera jam brings endless appetite.

Flavours

♦ Fresh Aloe Vera.

Package

» Cup 100 g.

ackage » 4 Cups/block.

YOGHURT FROM 100% FRESH MILK



Target customers

For people of all ages.

Especially for those who like the pure flavour of fresh cow milk.

Features

- Delicious and fresh flavour.
- Made from 100% pure fresh cow's milk.

Flavours

Sweetened.

Package

» Cup 100 g.

» 4 Cups/block.



FRUIT JUICES





VFRESH 100% FRUIT JUICE

Vfresh 100% Fruit Juice is made from natural fresh fruit, without preservatives added, rich in nutrients for your healthy and dynamic body.

Vfresh 100% Fruit Juice – a fabulous and nutritious drink for your family.

| Flavours | | nge, Apple, Grape |
|-------------------|----------|----------------------|
| Package | » | Carton pack 1 litter |
| Packing method | » | 12 packs/box |

VFRESH JUKI MIXED FRUIT AND VEGETABLE NECTAR

Vfresh Juki Mixed Fruit and Vegetable Nectar is not only fabulous with fresh fruit and vegetable flavour but also contains soluble fibre and essential vitamins C, A and D3 to improve digestive health and immune system, helping your children healthier and happier.

| Flavours | Super Orange, Cool Strawberry, Funr Fruit and Vegetable | ıy |
|-------------------|--|----|
| Package | » Carton pack 180 ml and 110 ml | |
| Packing method | » 4 packs/block, 48 packs/box | |





VFRESH FRUIT NECTAR

Vfresh Fruit Nectar is made from natural fresh fruit, without preservatives added, rich in nutrients for your healthy and dynamic body.

Vfresh Fruit Nectar – a fabulous and nutritious drink for your family.

| Flavours | Orar | nge, Peach, Guava, Tomato |
|-------------------|----------|---------------------------|
| Package | » | Carton pack 1 litter |
| Packing method | » | 12 packs/box |

VFRESH SMOOTHIES

A unique combination from fresh fruit juices and nutritious milk – creating a delicious and attractive, and nutrient-rich drink – offering you a new source of energy for a healthy and dynamic body.

| Flavours | Milk Orange, Milk Strawberry, Milk Fruit (mixed 5 green fruits: Melon, Kiwi, Apple, Pear and Guava). | |
|-------------------|--|--|
| Package | » | Carton pack 330 ml with convenient screw cap |
| Packing method | » | 3 packs/block, 24 packs/box |

TEA

VFRESH ARTICHOKE TEA



Vfresh Artichoke Tea is made from the premium source of raw Artichoke from Da Lat Plateau, containing Cynarin. Drinking Vfresh Artichoke Tea every day helps you with refreshment, heat removal, and detoxification, and thus benefiting your health.

| Flavours | No sugar, Less sugar. | |
|-------------------|-----------------------|-----------------------|
| Package | » | Carton pack 1 litter. |
| Packing method | » | 12 packs/box. |

BEVERAGE



VFRESH SOAKED APRICOT

Vfresh Fermented Apricot is made from the fresh apricots which are soaked and fermented according to traditional method in combination with sugar candy, without preservatives added, so it remains the traditional soaked apricot flavour.

Vfresh Soaked Apricot is a delicious, nutritious and natural drink good for your health.

| Flavours | Apricot. | |
|-------------------|----------|----------------------------------|
| Package | » | Bottle 360 ml. |
| Packing method | » | 6 bottles/block, 24 bottles/box. |



VFRESH ALOE VERA

A great combination from fresh fruit juice/green tea with typical flavour and cool mild Aloe Vera brings you not only a fabulous and attractive drink but also a bright and smooth skin thanks to the natural nutrients in Aloe Vera.

| Flavours | Aloe Vera Green Tea, Aloe Vera Grape, Aloe Vera Apple. | | |
|-------------------|---|----------------------------------|--|
| Package | » | Bottle 360 ml. | |
| Packing method | » | 6 bottles/block, 24 bottles/box. | |

LINGZHITEA – LINCHA



LINCHA Tea with Lingzhi extract and honey is a delicious and nutritious drink, helping quench thirst and eliminate free radicals and toxins in the body, useful for anti-aging and health recovery.

1 litter of LINCHA Tea contains 131 g of condensed Lingzhi, bringing a fresh mind and a strong body.

| Flavours | Lingzhi and Honey | | |
|-------------------|---|--|--|
| Package | » No sugar LINCHA: Carton pack 1 litter.» Sweetened LINCHA: Bottle 360 ml. | | |
| Packing method | » Carton pack: 12 packs/box.» Plastic bottle: 6 bottles/block, 24 bottles/box. | | |

VFRESH FRUIT NECTAR



Vfresh Fruit Nectar is made from fresh natural fruit, without preservatives added, bringing you a healthy and dynamic body.

| Flavours | Orange, Apple. | |
|-------------------|----------------|----------------------------|
| Package | » | Cup 200 ml. |
| Packing method | » | 4 cups/block, 48 cups/box. |

BFVFRAGE

VINAMILK SOY MILK





ICY DRINKING WATER

Treated by reverse osmosis technology and ozone, ICY drinking water brings natural flavour of pure water, helping purify and cool your body, especially safe for your health.

ICY bottled drinking water – Preserve the pure freshness of water.

| Package | » | Bottle 360 ml and 500 ml. |
|-------------------|----------|-----------------------------------|
| Packing method | » | 12 bottles/block, 24 bottles/box. |

ICY SALTED LEMONADE

lcy Salted Lemonade is not only imposed with salty and sour tastes for refreshment but also replenishes minerals and water, and supports electrolyte balance, bringing a healthy and resistant body.

| Package | » | Bottle 360 ml. |
|-------------------|----------|---------------------------------|
| Packing method | » | 6 bottles/block, 24 bottles/box |



GOLDSOY PROTEIN-RICH MILK

Made from 100% non-genetically modified soybeans. Rich in protein: Protein rate up to 3.4 g/100 ml.

No preservatives added.

Calcium and Vitamin D are fortified to strengthen skeletal system and bring you a resistant and healthy body.

| Flavours | » | Sweetened, Less sugar, No sugar. |
|----------|----------|---|
| Package | | Carton pack 1 litter, 200 ml. Fino pouch 200 ml, 220 ml. |

GOLDSOY CAD MILK

Calcium and Vitamin D fortification

No preservatives added.

Made from 100% non-genetically modified soybeans. Strengthen skeletal system and bring you a resistant and healthy body.

| Flavours | Sweetened. |
|----------|--|
| Package | » Carton pack 200 ml» Fino pouch 200 ml, 220 ml |

Sản phẩm của
VINAMILK

Kết hợp với Mật Ong

LINCH/

Trà Nấm

Chieft wallt Nam Link Chi vi Mat Chie

Trà Nấm Linh Chi
Trà Nấm Linh Chi
THẢ NG CƯỚNG SỰC KHÓE
SẢNG KHOÁI TINH THẦN

BUSINESS LOCALITIES & DISTRIBUTION NETWORK

224,000
RETAILERS NATIONWIDE

Vinamilk's distribution network continues to be consolidated and never stops growing in order to meet the long-term growth objectives.

Vinamilk operates throughout the country and is reaching to the foreign countries.

» Domestic:

- 03 sales offices in Hanoi, Da Nang and Can Tho
- 12 factories (including 01 factory in the North, 03 factories in the Central and 08 factories in the South)
- 02 logistics enterprises in Ho Chi Minh City and Hanoi, in charge of warehouses and transporting materials and finished goods
- 01 health care clinic office in Ho Chi Minh City
- 03 subsidiaries in operation and 01 associate. Vinamilk's dairy farm system is managed by a subsidiary, including 05 farms in Tuyen Quang, Nghe An, Thanh Hoa, Binh Dinh and Lam Dong..
- » **Overseas:** Vinamilk has 01 associate in operation of manufacturing powdered milk and fresh milk in New Zealand and 01 subsidiary recently acquired on December 31st 2013 in California, USA.

60

VINAMILK HAS TOTAL 60 PRODUCT INTRODUCTION STORES

The distribution network model is as follows:



Local distribution network:

- » Modern trade channel: Vinamilk deals directly with about 600 supermarkets across the country. The sales from this channel contributed 10% in local sales.
- » General trade channel: Vinamilk sets up 266 exclusive distributors national-wide. These distributors deliver products to retailers within their assigned territory. As at 31/12/2013, Vinamilk covered more than 224,000 retailers, increased by 24,000 retailers as compared to that of 2012.
- » Additionally, Vinamilk has been building a system of product introduction stores nationwide. At present, the Company has 60 product introduction stores across the country. In 2014, it is expected to develop more 39 product introduction stores.



BUSINESS LOCALITIES & DISTRIBUTION NETWORK (cont.)

















CORPORATE POSITION

THE WORLD'S TOP 50 BIGGEST DAIRY COMPANIES

With impressive development, Vinamilk aims to achieve the total revenue of USD 3 billion and to be ranked in Top 50 biggest dairy companies in the world by the year 2017.

Vinamilk has been the biggest dairy company in Vietnam for the past 37 consecutive years from its business commencement in 1976. The Company's current market share occupies over 50% in the dairy industry. The average growth rates of total revenue, profit before tax and owner's equity in the nearest 5 years are 31%, 31% and 28% respectively.

With impressive development, Vinamilk aims to achieve the total revenue of USD 3 billion and to be ranked in Top 50 biggest dairy companies in the world by the year 2017.

Vinamilk was listed in Ho Chi Minh City Stock Exchange (HOSE) in 2006. The Company's market capitalization value as at December 31st 2013 is approximately USD 5.3 billion and is ranked the second on the Vietnam Stock Market.

INFORMATION ON SHARE CAPITAL AND SHAREHOLDERS

MARKET CAPITALIZATION VALUE



Vinamilk is ranked the second on the Vietnam Stock Market about the market capitalization value.

As at December 31st 2013, the Company's share capital is as follows:

| Share capital | :VND 8,339,557,960,000 |
|-----------------------------------|------------------------|
| • Face value per share | :VND 10,000 |
| Total listed shares | : 833,955,796 shares |
| Total outstanding shares | : 833,467,061 shares |
| • Treasury shares | : 488,735 shares |
| Market capitalization value | :VND 112,518 billion |



The shareholder structure is unchanged as compared to 2012. The State Capital Investment Corporation (SCIC) holds 45%, the foreign shareholders hold 49% and the local shareholders hold 6% of the Company's share capital.



According to the latest list of shareholders as at December 18th 2013:

| | Number of shareholders | Number of shares | % of share capital |
|----------------------|------------------------|------------------|--------------------|
| Total shareholders | 10,931 | 833,467,061 | 99.94% |
| Treasury shares | 1 | 488,735 | 0.06% |
| | 10,932 | 833,955,796 | 100.00% |
| | | | |
| Local shareholders | 9,766 | 425,331,126 | 51.00% |
| » Institutional | 82 | 382,983,418 | 45.92% |
| » Individual | 9,684 | 42,347,708 | 5.08% |
| | | | |
| Foreign shareholders | 1,166 | 408,624,670 | 49.00% |
| » Institutional | 204 | 405,171,255 | 48.58% |
| » Individual | 962 | 3,453,415 | 0.42% |

Treasury share transactions:

During the year, Vinamilk conducted 05 transactions to buy back employees' share for the total number of 58,615 shares in accordance with the statute of share scheme for employees due to their resignation or change of position. The treasury shares as at December 31st 2013 are 488,735 shares.

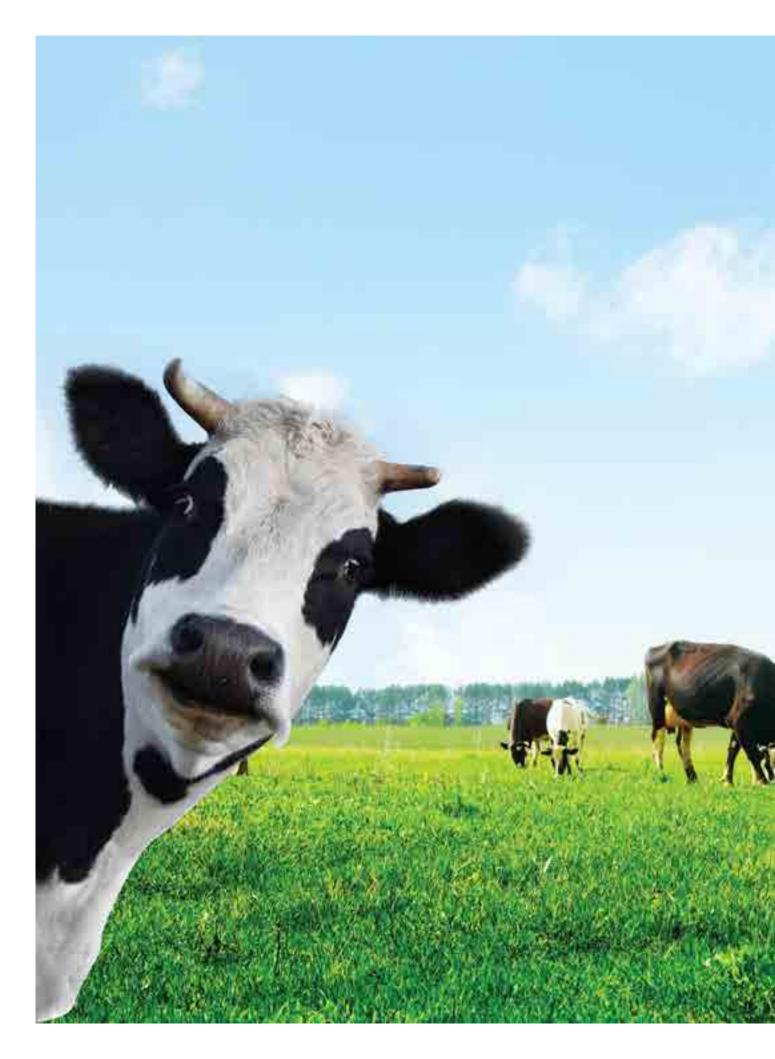
Changes in ownership rate of major shareholders:

| | | | Number of shares | | Rate % | | |
|---|---|-------------|------------------|----------------------|--------|--------|--------|
| | | 2012 | 2013 | Buying/ (Selling) | 2012 | 2013 | Change |
| | Changes in ownership rate of major shareholders | r | | | | | |
| 1 | SCIC | 375,732,000 | 375,732,000 | - | 45.05% | 45.05% | 0.00% |
| 2 | F&N Dairy Investment | 79,507,485 | 79,507,485 | _ | 9.53% | 9.53% | 0.00% |
| 3 | Group of shareholders | 45,847,602 | 49,551,630 | 3,704,028 | 550% | 5.94% | 0.44% |
| | » Beira Limited (*) | 2,139,555 | 2,168,555 | 29,000 | 0.26% | 0.26% | 0.00% |
| | » Deutsche Bank AG London (*) | 39,967,830 | 43,300,668 | 3,332,838 | 4.79% | 5.19% | 0.40% |
| | » Epsom Limited (*) | 3,076,422 | 3,464,422 | 388,000 | 0.37% | 0.42% | 0.05% |
| | » Greystanes Limited (*) | 663,795 | 617,985 | (45,810) | 0.08% | 0.07% | -0.01% |

SHARE CAPITAL INCREASING PROGRESS



| Issuance date | Issued to | Number of issuing shares | Number of shares after issuance | Share capital after issuance |
|-----------------------------------|--|--------------------------|---------------------------------|------------------------------|
| December 31 st 2005 | Share capital before being listed | | 159,000,000 | 1,590,000,000,000 |
| March 2007 | Branch of foreign bank | 7,950,000 | 166,950,000 | 1,669,500,000,000 |
| March 2007 | Existing shareholders (Rate 2:1) | 8,325,670 | 175,275,670 | 1,752,756,700,000 |
| June 2009 | Employees (ESOP 2008) | 364,640 | 175,640,310 | 1,756,403,100,000 |
| September 2009 | Existing shareholders (Share split, Rate 1:1) | 175,624,990 | 351,265,300 | 3,512,653,000,000 |
| February 2010 | Employees (ESOP 2009) | 1,806,820 | 353,072,120 | 3,530,721,200,000 |
| February 2011 | Employees (ESOP 2010) | 3,498,520 | 356,570,640 | 3,565,706,400,000 |
| May 2011 | Private replacement | 10,700,000 | 367,270,640 | 3,672,706,400,000 |
| June 2011 | Employees (ESOP 2011) | 3,554,910 | 370,825,550 | 3,708,255,500,000 |
| December 2011 | Existing shareholders (Share split, Rate 1:1) | 185,289,204 | 556,114,754 | 5,561,147,540,000 |
| December 2012 | Existing shareholders (Share split, Rate 2:1) | 277,841,042 | 833,955,796 | 8,339,557,960,000 |



FABULOUS FLAVOUR FROM PURE FRESH MILK

In 2013, two Vinamilk's dairy farms received certificate ISO 9001:2008 by Bureau Veritas – France. Currently, Vinamilk owns 5 large farms in the country and plans to invest more farms with modern scale in the coming time, contributing to help Vinamilk become a pioneer in breeding dairy cows in Vietnam meeting the international standards.

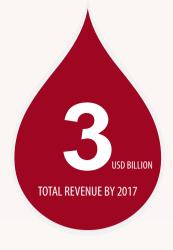


CHAIRWOMAN'S MESSAGE

Two most modern dairy factories inaugurated by Vinamilk in Binh Duong province in 2013 are Vietnam powdered milk factory with an investment capital of 2,000 billion dong, which commenced its operation in April 2013, and Vietnam milk factory (intensively liquid milk) with an investment capital of 2,400 billion dong, which kicked off its operation in September 2013.







To honourable shareholders!

2013 was another year of difficulties and struggles for Vietnam's economy in general and for consumer goods enterprises in particular. Apparently, it was translated into an index published by General Statistical Office, which indicated only 12.6% in total revenue of retail commodities and consumer services as compared to year 2012, the lowest one within the last four years.

Under those circumstances, Vinamilk has strived and overcome the difficulties to accomplish its targets with encouraging results. According to the guidelines of revenues – profit for the period of 2012 – 2016, Vinamilk has gained 31,586 billion dong in total revenue (up 16.6% on 2012) and 6,534 billion dong in profit (up 12.3% on 2012) for the fiscal year of 2013. Despite of the lower growth rates in comparison to the previous years, the profit of Vinamilk has surpassed the target by 5% (equivalently 304 billion dong) thanks to the efforts in perfecting management efficiency and well-controlling costs; and in accumulation, the profit by 2013 has achieved 95% of the target towards 2016. It indicates that Vinamilk has achieved some certain milestones in its 5 year plan. For the time being, the market capitalization value of Vinamilk has arrived at 112,518 billion dong (roughly USD 5.35 billion and up 53.4% on the end of 2012), suggesting that the position and reputation of Vinamilk are still affirmative.

Shouldering the philosophy of sustainable growth, besides financials, Vinamilk also considered perfecting other targets in aspects of human resources, social responsibility and operations. For employees, Vinamilk has carried out the schemes in favour of their interests and rights, such as health insurance applicable for all employees, HR quality enhancement and workforce sustainability upon the implementation of succession policy. For the society, Vinamilk has fulfilled its duty of tax payment into the State Budget, shared social responsibilities with practical and meaningful actions, and sponsored the schemes of physical and intellectual development for Vietnamese Children. For operations, Vinamilk has completed and improved the aspects of corporate governance, project management, HR management, etc.



VINAMILK IS RANKED THE

IN VIETNAM'S
TOP 10 BIGGEST
PRIVATE COMPANIES

By 2013, Vinamilk has built its very first foundations of going beyond the borders for the search of raw milk security and the expansion of business to new markets in the form of overseas investment in the targeted potential countries as the United States, Cambodia, etc.

With new vision and mission, Vinamilk continues to make itself a number of targets that are apt to the situation of the economy and the inner abilities of the Company, to go further. Particularly, besides financials, Vinamilk will focus on the alteration of organization and management, and HR quality enhancement.



On behalf of the Company, I would like to extend our sincere gratitude to our customers and partners for their support and co-operation during the past time. I believe that, with the efforts of all the employees and the support of shareholders, Vinamilk will fulfill the targets of the coming fiscal year.

Ho Chi Minh City, March 24th 2014



MAI KIEU LIEN

Chairwoman and Chief Executive Officer

EXPORT
REVENUE REACHED

4,415
VND BILLION



S.W.O.T ANALYSIS



- » Vinamilk is the strongest dairy brand and has been presenting for over 37 years in the market.
- » Technology and equipment are the world's most modern ones. Output products meet international quality standards. Product portfolio is diverse in order to meet the consumers' increasing demands.
- » Vinamilk has a strong and nation-wide distribution network: the Company has 266 exclusive distributors, covering over 224,000 retailers, and directly deals with over 600 supermarkets across the country. The Company also exports to many countries in the region and the world.
- » Product Research and Development team includes experienced and capable persons. Vinamilk cooperates with the leading research companies in the world to launch the bestquality products to the market, meeting international standards and demands of each group of consumers.
- » Enterprise Resource Planning (ERP) is applied to enterprise management from production, quality control to product distribution.
- » Management team has much experience and capacity in dairy industry and has gotten along with Vinamilk for several years. They have a profound understanding on Vietnam's dairy market as well as consuming trend in order to find out sustainable development strategy for the Company.



- » Dependence on imported raw material sources is one of the Company's weaknesses. Local raw material sources only meet around 30% of production need therefore, the stability of supply and the rate of input material mainly depend on the world's milk supply – demand relationship.
- » Strong and continuous growth over the past years put pressure on the Company's management and personnel. One of concerns is also the limitation in a capable succession team.
- » Many new products have been researched but not yet launched to the market.
- » Cow breeding productivity lower and raw milk price higher than those in the world also impact the Company's profit.

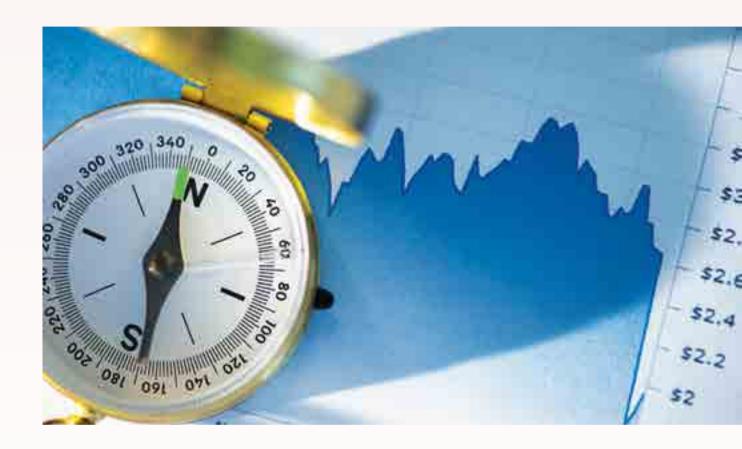


- » A high potential dairy market in Vietnam: The capital consumption of dairy in Vietnam is still very low compared to other countries in the regions and the world. Dairy products for special purposes have not been commonly produced by the local manufacturers while the imported products have very high prices. Therefore, the Company still has much growing opportunity for long term.
- » Expanding and diversifying domestic distribution network: to open more retailers and Vinamilk's product introduction stores.
- » At present, Vinamilk's products are exported to over 16 countries and contribute approximately 14% of total revenue. However, Vinamilk still has many chances to expand its export market and business operations abroad.



- » Vinamilk is facing many challenges from the increasingly keen competition in dairy market, especially with the world's famous dairy companies.
- » Vietnam's commitment on tax cut-down in the future shall push the competition stronger. Big groups have opportunity to engage in Vietnam.
- The growth of local dairy industry depends on the stability of Vietnam's macroeconomics.
 2013 saw a depression in consumer goods industry and there are still more challenges in the coming years.
- » Low income is one of the factors affecting milk consumption.
- » Milk is listed in the range of products for price registration and price stability which is a difficulty in controlling output product prices.
- » The world economy has a great influence on the stability of price and supply sources of raw materials in the future and it is beyond the Company's control.
- » Ability to remain a high growth rate and outstanding financial efficiency in the future is another challenge.

LONG-TERM DEVELOPMENT STRATEGY



STRATEGIC OBJECTIVE

Capital expenditure plan:

- » Become one of the world's top 50 biggest dairy companies with the objective of USD 3 billion of sales during 2012-2016.
- » Maintain annual dividend to shareholders with the dividend rate at least 30% of face value

Customers:

» Become the best Vietnamese company in customer satisfaction of product quality, reasonable price and good distribution network.

Corporate governance:

- » Become a recognized professional structural operating management company.
- » Become a working environment where employees can best promote their ability to contribute to the overall achievement and become one of the leading companies, which is ideal to work for.



STRATEGY AND MAJOR AREAS FOR IMPROVEMENT TO ENHANCE THE ABOVE-MENTIONED FACTORS

Among the areas of a business, in this period, there are three important areas to create leverage for achieving the mission:

- » Develop strategic human resource management
- » Maintain and manage performance for sustainable development target
- » Plan and implement fields of Knowledge, Innovation and Change management.





FROM TECHNOLOGY INVESTMENT STRATEGY

In 2013, Vinamilk inaugurated 2 factories equipped with the most advanced technology of the world. In which, the liquid milk factory is designed based on Tetra Plant Master automation solution, enabling to connect and integrate the whole factory from input materials to output products. Thanks to that, product quality is always well-controlled and production effectiveness is also maintained in the highest rate.



VINAMILK

SỮA VIỆT XỦNG TẨM THẾ GIỚI

GROUP STRUCTURE AND MANAGEMENT APPARATUS

SÜATÚS

- Group structure and subsidiaries, joint ventures, and associates
- Organisation and management structure
- The Board of Management
- The Inspection Committee
- The Board of Executive Directors

GROUP STRUCTURE AND SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES ____



DETAILS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES:

| No. | Company name | Principal activities | Share capital (VND billion) | Owned by Vinamilk (%) |
|-----|--|--|--------------------------------|--------------------------|
| 1 | Vietnam Dairy Cow One Member Co., Ltd. | Breeding dairy cows | 840 | 100 |
| 2 | Lam Son Dairy One Member Co., Ltd. | Producing and trading dairy products | 80 | 100 |
| 3 | International Real Estate One Member Co., Ltd. | Real estate business (not yet operated) | 160 | 100 |
| 4 | Thong Nhat Thanh Hoa Dairy Cow One Member Co., Ltd. | Breeding dairy cows | 600 | 96.33 |
| 5 | Driftwood Dairy Holding Corporation | Producing and trading dairy products | 10 million shares | 70 |
| 6 | Miraka Limited | Producing and trading dairy products and food stuff | 72.8 million shares | 19.3 |
| 7 | Asia Saigon Food Ingredients JSC (AFI) | Producing non-dairy creamer used for food processing | 120 | 15 |



1. VIETNAM DAIRY COW ONE MEMBER CO., LTD.

Was founded on July 11th 2007 and 100% owned by Vinamilk. It builds the model cow farms to provide the breed and technology support to farmers to secure the stable and good quality fresh milk supply to the parent company as input material.

All these farms are received intensive investments into breeding cows, quality input feeding, breeding facilities, and advanced milking technology meeting the European standards in order to ensure that fresh milk material are at the best quality. This is the material source to manufacture 100% fresh milk products of the parent company's factories.

As at December 31st 2013, this subsidiary manages 05 dairy farms in Tuyen Quang, Nghe An, Thanh Hoa, Binh Dinh and Lam Dong with 8,818 heads (2012: 8,124 heads).

In 2013, this company also supplied 24,491 tons of raw fresh milk to Vinamilk, increased by 23% compared to 2012 (19,857 tons).





2. LAM SON DAIRY ONE MEMBER CO., LTD.

The company has a factory located in Le Mon Industrial Park, Thanh Hoa City, Thanh Hoa Province.

This factory is planned to produce mainly pasteurized milk and yoghurt under Vinamilk's brand to serve local market in the surrounding provinces.

The factory's production capacity is up to 49.28 million litters of liquid milk and 156 million jars of yoghurt.

Some basic financial information:

| (VND billion) | 2013 | 2012 | % Increase/ (Decrease) |
|-------------------|------|------|---------------------------|
| Total revenue | 299 | 331 | (10%) |
| Profit before tax | 33 | 43 | (23%) |
| Profit after tax | 31 | 39 | (21%) |
| Total assets | 331 | 220 | 50% |



3. INTERNATIONAL REAL ESTATE ONE MEMBER CO., LTD.

Was founded on February 22nd 2006 to invest in real estate. However, Vinamilk's strategy is to focus on its core business and as such the company has been dormant. The Company had a decision to liquidate it in 2014.



4. DRIFTWOOD DAIRY HOLDING CORPORATION

Driftwood was founded by the Dolan family in El Monte, California in the mid-1940s and was continuously owned by them until Marwit Capital acquired the company in 2006. On 31 December 2013, Vinamilk acquired 70% of its share capital.

Capacity: Driftwood processes more than 18 million gallons of raw milk and seven million gallons of juices annually.

Products: The Company processes and distributes a wide range of Driftwood-branded dairy products. It has about 659 SKUs in total.

- » Fresh milk, chocolate milk, flavoured milk, soy milk, lactose-free milk;
- » Juices: orange, apple, wild berry, wild cherry, grape, pineapple, fruit punch
- » Trading foodstuff: including yogurt, whipped cream, rice milk, cheese, eggs, cottage cheese, sour cream, buttermilk and bread.

Distribution channel: Driftwood is among the largest producers of milk in the state of California, and is the leading provider of milk to Southern California schools. It has 106 distribution routes.

Since Vinamilk acquired Driftwood Dairy Holding Corporation on December 31st 2013, there was no inclusion in the consolidated income statement.

Please visit www.driftwooddairy.com for more information about Driftwood Dairy Holding Corporation.



5. THONG NHAT THANH HOA DAIRY COW CO., LTD.

This is a two-member limited liability company with the share capital of VND 600 billion, in which 96.33% are owned by Vinamilk and 3.67% is owned by Thong Nhat Thanh Hoa One Member Co. Ltd. This company is operating in accordance with the business registration certificate dated October 21st 2013. The main business operations of the company include a high technology dairy cow breeding centre and development of cow contract growing in order to supply fresh milk to Vinamilk as input materials.

The dairy farm is applied the world's advanced technologies in breeding dairy cows caring of cows, nurturing, controlling diseases, exploiting milk, managing cows and protecting environment. The types of plants supplying greenery and crude high-quality foods will be planted with cultivation, irrigation, and harvest technologies using modern machinery and equipment. The total number of cows is expected to reach 25,000 heads by 2020.

At present, the Company is in the progress of investing infrastructures and is expected to officially come into operations in the first quarter of 2015.



6. MIRAKA LIMITED

This company has 72.8 million shares, in which Vinamilk holds19.3% (equivalent to the contributed capital of NZD 14.4 million). This is the first investment project in overseas of Vinamilk. The high-quality raw milk processing plant is located in the central of Taupo, New Zealand. The plant purchases raw fresh milk from the local farmers in Taupo and produces high-quality milk powders to overseas markets.

This high-quality milk powder plant has the capacity of 32,000 tons/year. The plant is equipped with modern technology at the international standards and is powered by renewable steam and geothermal electricity (the electricity generated from geothermal energy).

The plant is in high automation; robot can replace a lot of human forces.

This is the right investment strategy for long-term view in order to better secure the high-quality and stable supply of milk materials for Vinamilk.

Miraka started its commercial operation in August 2011 and achieved 100% capacity utilization by August 2012.

With its success, Miraka Limited is expanding and investing in a fresh milk production line with the capacity of 80 million tons/ year with total investment capital of NZD 26,945,157. This production line is expected to come into commercial operation in 2014. A part of output volume will be imported into Vietnam under Twin Cows brand. The Twin Cows fresh milk brand made in New Zealand will listed in Vinamilk's premium fresh milk portfolio.

Some basic financial information (for the fiscal year ended July 31st):

| (NZD) | 2013 | 2012 | % Increase/(Decrease) |
|-------------------|-------------|-------------|-----------------------|
| Total revenue | 164,023,200 | 125,361,635 | 31% |
| Profit before tax | 7,612,073 | 2,555,950 | 198% |
| Profit after tax | 5,494,223 | 1,813,662 | 203% |
| Total assets | 111,478,786 | 97,082,279 | 15% |



7. ASIA SAIGON FOOD INGREDIENTS JOINT STOCK COMPANY (AFI)

Was founded on May 7^{th} 2008. Its current share capital is VND 120 billion, in which, Vinamilk contributes VND 18 billion, equivalent to 15%. AFI is located in the area of over 42,000 m² of land in My Phuoc 3 Industrial Park, Binh Duong Province.

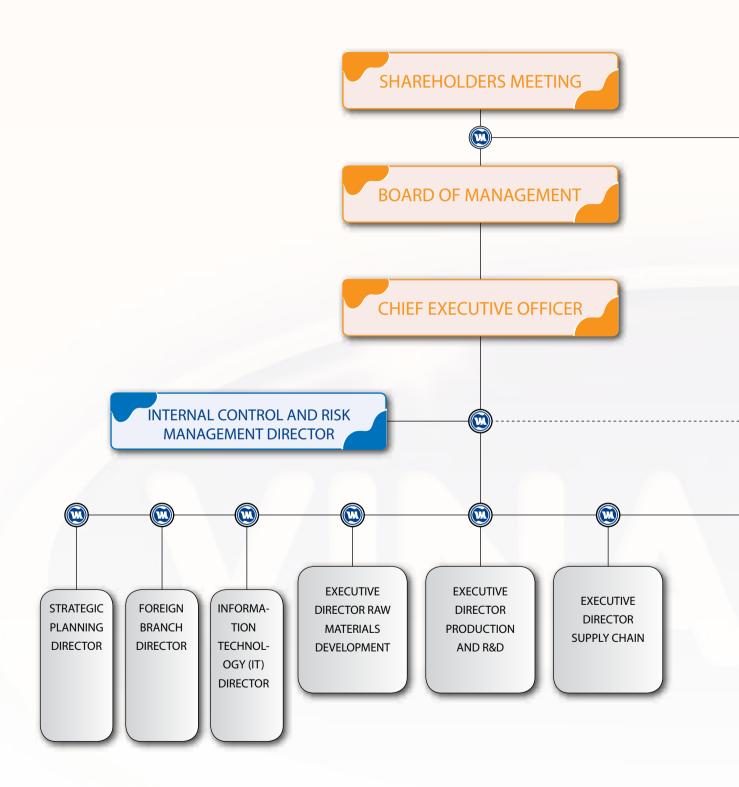
AFI is the pioneer in Vietnam processing non-dairy creamers and other high-quality materials used in the foodstuff processing industry. The factory has capacity of 11,000 tons/year and equipped with the modern machinery system of spraying and drying technology from Denmark.

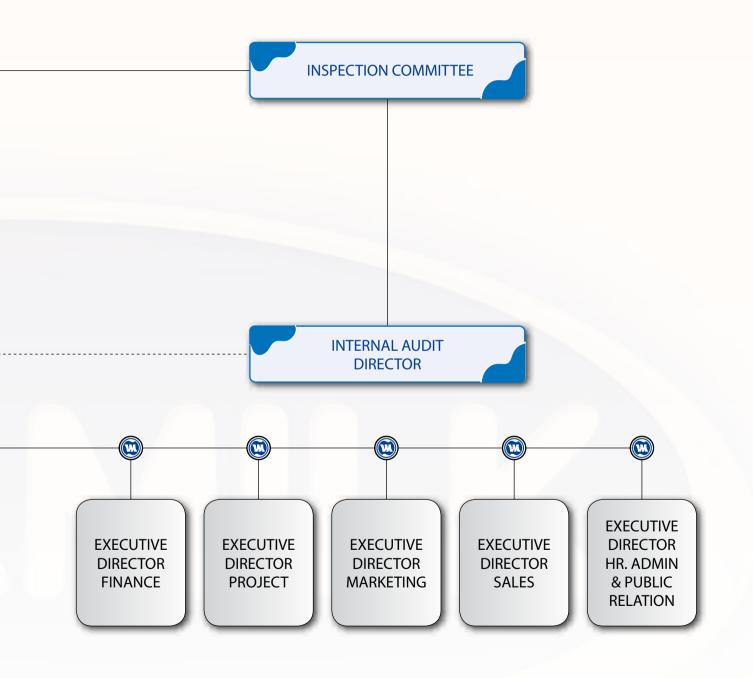
For further information, please visit the company's website at www.afi.vn

Some basic financial information:

| (VND billion) | 2013 | 2012 | % Increase/(Decrease) |
|-------------------|------|------|-----------------------|
| Total revenue | 402 | 277 | 45% |
| Profit before tax | 70 | 44 | 59% |
| Profit after tax | 70 | 44 | 59% |
| Total assets | 257 | 224 | 15% |

ORGANISATION AND MANAGEMENT STRUCTURE





THE BOARD OF MANAGEMENT



The new appointment of 02 independent members into the Board of Management has strengthened Vinamilk's corporate governance. The number of Board members is increased up to seven, including 02 independent members and 03 non-executive members. Vinamilk always commits to set up a corporate governance model that is widely applied and meets international standards.



The changes in the Board of Management (BOM) in the term of 2012-2016 of Vinamilk during the year are as follows:

According to the Resolution of the Shareholders' Meeting on April 26th 2013:

- » Appointment of Mr. Pascal De Petrini, representative of the major shareholder F&N Dairy Investments Pte Ltd.
- » Selection of 2 independent members, i.e. Ms. Le Thi Bang Tam and Mr. Ha Van Tham.

Mr. Ng Jui Sia, representative for capital of F&N Dairy Investments Pte Ltd, is assigned the Board member in replacement to Mr. Pascal De Petrini, who resigned from the position of Board member from May 23rd 2013. The appointment of Mr. Ng Sui Sia will be approved at the Shareholders' Meeting 2014.

Ms. MAI KIEU LIEN

Chairwoman and Chief Executive Officer



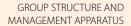
- » From August 1976 to August 1980, she was an engineer in charge of condensed milk production at Truong Tho Dairy Factory.
- » From September 1980 to February 1982, she was a technology engineer in Technical Department of the United Enterprises of Milk Coffee Cookies and Candies I.
- » From February 1982 to June 1983, she worked as a Vice Technical Director in charge of production at Thong Nhat Dairy Factory.
- » After finishing her training at Economic University of Leningrad in the former Soviet Union (currently Russia), in 1984, she was appointed Deputy Chief Executive Officer of the United Enterprises of Milk Coffee Cookies and Candies I.
- » In December 1992, she was promoted to Chief Executive Officer of Vietnam Dairy Products Company.
- » From 1996 2001, she was a member of the Central Committee of the Vietnamese Communist Party.
- » On November 14th 2003, she was elected the BOM's Chairwoman and thereafter appointed as Chief Executive Officer of Vinamilk for three consecutive terms: 2003 2007; 2007 2011 and 2012 2016.

Ms. Lien graduated from Moscow University of Meat & Milk Processing Technology, Russia with Bachelor of Science in 1976. She holds a Certificate of Leningrad Economic Management from University of Economy, Russia, and a Certificate of Government Management from National Political Institute, Vietnam.

- » In 2001, she was granted the Labour Medal II by the Government.
- » In 2005, she was granted the "Hero of Labour in the innovation period" and Labour Medal I in 2006 by the Government.
- » In February 2012, she was in the Top Asia's 50 Most Powerful Businesswomen, honoured by Forbes Asia.
- » In May 2012, she was One of Top 51 excellent Businesswoman in Asia 2012, honoured by Corporate Governance Asia Journal.
- » In 2012, she was in the Best Corporate Investor Relations, honoured by Corporate Governance Asia Journal.
- » In March 2013, she was again in the Top 50 for Achievement in Asia's Businesswomen in The Mix, honoured by Forbes Asia.

Her positions at other entities:

- » The Chairwoman of Vietnam Dairy Association for the period 2010 2015.
- » The Board member, period 2010 2015 at Miraka Limited, New Zealand.





THE BOARD OF MANAGEMENT (cont.)







Mr. LE SONG LAI
Non-executive member

Mr. LE ANH MINH
Non-executive member

Ms. LE THI BANG TAM Independent member

Member of the Board of Management since April 2012.

His work and experience are summarized below:

- » From August 1996 to October 1996: Lawyer, Freshfields Law firm, Ha Noi branch.
- » From October 1996 to November 2003: Officer at Insurance Department, Ministry of Finance
- » From November 2003 to August 2006: Vice Department Head of Insurance Department, Ministry of Finance
- » From August 2006 up to now: Deputy General Director of the State Capital Investment Corporation.

His positions at other entities:

- » Member of the Board of Management (concurrently) — Bao Minh Joint Stock Corporation
- » Member of the Board of Management (concurrently) — Vietnam National Reinsurance Joint Stock Corporation
- » Member of the Board of Management (concurrently) — FPT Joint Stock Company
- » Chairman of the Board of management (concurrently) — Trang Tien Investment & Trading Co., Ltd.
- » Chairman of the Board of management (concurrently) — SCIC Investment One Member Co., Ltd.

Education background: Master in Laws (Cambridge University — UK)

Mr. Minh holds a Bachelor of Administration and Economics from Vietnam's University of Banking in 1991. He obtained his Master of Business Administration from Wharton Business School, University of Pennsylvania USA. He first started working for Peregine Capital Vietnam under the financial institutions group. He was credited for the successful acquisition of Dai Nam Bank, a first case for Vietnam, and restructured the bank within 12 months. He was the Deputy CEO of Dai Nam Bank from 1994 to 1996 managing the Business Development and Credit portfolio. Later he became the Chief Finance Officer in Coca Cola Southeast Group for four years, in charge of the company's activities in Indochina. He joined Dragon Capital Group Limited in 2002 in the position of Deputy General Director and undertook the corporate financial activities. Beside his corporate financial activities, he is currently a member of the Investment Council of several investment funds and securities companies.

Mr. Minh is a scholarship of Fulbright Program and a member of CPA — Australia.

Her work and experience are summarized below:

- From 1969 to October 1974: Lecturer of Hanoi University of Finance and Accounting
- From 1974 to 1982: Staff, Vice Division Head of Financial Balance Division — Ministry of Finance.
- » From 1982 to 1984: Student of Economic Management Faculty in University of Leningrad — Soviet Union.
- From 1984 to 1985: Vice Division Head of Financial Balance Division — Ministry of Finance.
- » From 1985 to 1987: Vice Department Head of Official Organisation and Training Department.
- From 1987 to 1989: Scholarship of University of Leningrad – Soviet Union.
- » From 1989 to 1995: Vice Department Head, Department Head, and then General Director of the State Treasury.
- » From 1995 to 2006: Deputy Minister Member of Official Division — Ministry of Finance. She is a member of the State Securities Commission, the National Monetary Policy Council, the Committee of International Economic Cooperation, Steering Committees on ODA, Foreign Investment and key projects of the Government.
- » From 2006 to 2008: Chairwoman of SCIS. Upon retirement, she worked as a senior advisor for financial institutions.
- From March 15th 2010 to June 11th 2010: Member of HD Bank.
- From June 12th 2010 up to now: Chairwoman of HD Bank.

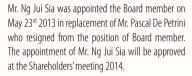
Ms. Tam holds a Bachelor in Finance and Accounting from Hanoi University of Finance and Accounting in 1969. She also obtained PhD in Economy from Leningrad Finance University, Soviet Union and certificate of International Finance from North University London, United Kingdom.

Her positions at other entities:

- » Chairwoman of HD Bank
- Financial advisor for some insurance and investment companies.







Mr. Ng Jui Sia has intensive management experience in Hong Kong, China, South Asia, Malaysia and Singapore. He has been the General Director of Fraser & Neave Holdings Bhd since 2010. He is also holding the position of Board member of Cocoa land Holding Berhad. By that time, he was the General Director of Times Publishing Ltd. under Fraser & Neave from 2006 to 2010, Managing Director of F&N Coca Cola (Malaysia) Sdn Bhd from 1999 to 2006, and General Manager of F&N Coca Cola Singapore from 1995 to 1999. Before joining in Fraser & Neave, he was the Executive Director in charge of Asia — Pacific region of CarnaudMetalbox, South China Region from 1989 to 1995.

Mr. Ng Jui Sia graduated from the National University of Singapore in 1997 with a Bachelor of Business Administration. He was the member of Associate of Institute of Chartered Accountants in England and Wales in 1981.



Mr. HA VAN THAM Independent member

His work and experience are summarized below:

- » From 1993 to 1997: Director of Binh Minh Pte. Ltd.
- » From 1997 to 2001: Director of VNT Co., Ltd.
- » From 2001 to 2003: General Director of Vietcans
- » From 2003 to 2004: Vice Chairman of Ocean Bank
- » From 2004 up to now:
 - » Chairman of Ocean Bank
 - » Chairman of Ocean Group
 - » Chairman of Ocean Hospitality JSC
 - » Chairman of Retail and Real Estate JSC

Mr. Tham holds a Bachelor of Trading University in 1993. He also obtained his Master in Economy and then PhD from Colombia Common Wealth, USA in 2004 and 2007 respectively.

His positions in others entities:

- » Chairman of Ocean Bank
- » Chairman of Ocean Group
- » Chairman of Ocean Hospitality JSC
- » Chairman of Retail and Real Estate JSC
- » Director of Ha Bao Pte. Ltd



Ms. NGO THI THU TRANG Member Executive Director Finance

She has been the Deputy General Director and Financial Director of our Company since March 2005. She joined the Company in 1985 as a financial analyst, and in January 1995, she became a Vice Manager in the Accounting–Statistics Department of the Vietnam Dairy Products Company. She held this position until December 1997 and served between January 1998 and February 1998 as the Head of the Accounting — Statistic Department. From February 1998 to March 2005, she held the position of the Chief Accountant in charge of the Accounting Department of the Vietnam Dairy Products Company. In March 2005, she was appointed Deputy General Director and Finance Director. From August 20th 2009, the title of Ms. Trang has been changed to Executive Director Finance.

Ms. Trang graduated from the Finance-Accounting University of Ho Chi Minh City, majoring in accounting and finance in 1984.

She also obtained her Master of Business Administration in 1998.

THE INSPECTION COMMITTEE __



Member of the Inspection Committee since March 2009.

Mr. Kien is currently the Director of MDKT Co., Ltd. From 2001, he was an analyst on the corporate finance and M&A team at Credit Suisse First Boston, Singapore. After that, Mr. Kien was a Manager on the structured finance team at Commonwealth Bank of Australia, New York branch, USA. From 2004 to 2005, he was Assistant Vice President, Corporate Development Department at OCBC Bank, Singapore where he helped with the analysis and execution in the M&A activities for the bank. Subsequently, he joined the investment team at Temasek Holdings, Singapore as an Associate Director. Mr. Kien was the founder and Managing Director of TNK Capital in Vietnam from 2008 to 2011.

He was awarded a Bachelor of Applied Finance from Macquarie University, Australia and a Master of Business Administration from University of Chicago, USA.

Mr. NGUYEN TRUNG KIEN Head of Inspection Committee

From 2013, the Inspection Committee consists of four (04) members, including one newly elected member and one substitute member elected to replace Mr. Nguyen Anh Tuan (resigned in April 2013). They are Ms. Nguyen Thi Tuyet Mai and Mr. Vu Tri Thuc. The increase in the Inspection Committee's membership will enhance the efficiency of the supervisory activities, contributing to Vinamilk's corporate governance.







Mr. NGUYEN NGOC VU CHUONG Member

Ms. NGUYEN THI TUYET MAI Member

Mr. VU TRI THUC Member

Member of the Inspection Committee since April 2012.

From 2006 to 2009, he was a credit officer for Asia Commercial Bank (ACB) and an investment analyst for ACB Capital. He also concurrently joined a team to set up the ACB's financial leasing company during this time. From 2010 to present, he is a portfolio management officer at the State Capital Investment Corporation (SCIC), in charge of investment portfolio of aquaculture, real estate and sugar companies in Ba Ria — Vung Tau and Soc Trang provinces.

Mr. Chuong graduated from Ho Chi Minh Banking University, with a Bachelor in Finance & Banking.

Ms. Mai was reappointed as a member of the Inspection Committee in April 2013. She formerly joined the Inspection Committee in March 2007 as a member and became Head of the Inspection Committee during the term 2007 - 2012.

Ms. Mai has extensive experience in the field of Finance — Banking. From 1993 to 1997, she held the position of Head of International Trade Finance Department and Head of Corporate Banking Department at ANZ Bank — Hanoi Branch, From 1999 to 2003, she was a credit specialist in the Corporate Banking Department, and then head of credit in the Commodity and Structured Trade Finance Division of ANZ Investment Bank in Singapore, where she was in charge of corporate relationship management, international banking strategy, product structuring and credit management for the Bank in the Asian region. From 2004 to May 2007, Ms. Mai was a senior manager at the representative office of Openasia Consulting (Vietnam) Ltd. in Ho Chi Minh City. In June 2007, she was appointed Director of Corporate Finance in charge of consulting services at VINAconnect Co. Ltd, a member of Openasia Group and has held this position up to now.

Ms. Mai graduated from Hanoi University of Foreign Studies in 1991 and obtained a Master degree in Business Administration from the University of Melbourne, Australia in 1999.

Mr. Thuc was appointed as a member of the Inspection Committee since April 2013.

He is currently Head of Finance and Accounting Department of the State Capital Investment Corporation (SCIC), and has been appointed as a Board member of Trang Tien Investment & Trading Co., Ltd. since May 2011. From 2009 to 2011, he was Deputy General Director of Vietnam — Oman Investment JSC. From 2008 to 2011, he was Deputy Director of Finance and Accounting Department of SCIC. From 2007 to 2008, he was an analyst of the Finance and Accounting Department of SCIC. Before joining SCIC, from 1999 to 2007, he was an auditor, and then Audit Manager of Vietnam Auditing Company — a member firm of Deloitte Vietnam.

Mr. Thuc graduated from Hanoi University of Finance and Accountancy (now is Hanoi Academy of Finance) in 1998 with a Bachelor in Economy (major in Accounting) and obtained a Master of Business Administration from Vietnam-French Center for Management Training (CFVG) — Ha Noi in 2004. He also obtained the CPA certificate awarded by the Ministry of Finance in 2004 and the Chief Accountant certificate from Hanoi Academy of Finance in 2008. He is also a member of Vietnam Association of Certified Public Accountants (VACPA).

THE BOARD OF EXECUTIVE DIRECTORS



(Refer to "Board of Management" for information about Ms. Mai Kieu Lien on pages 70 – 71)

Ms. MAI KIEU LIEN Chairwoman and Chief Executive Officer

In 2013, the Board of Executive Directors had some following changes:

On September 9th 2013, there was a rotation in the following two positions:

- » Ms. Nguyen Thi Thanh Hoa was rotated from Executive Director Supply Chain to Executive Director Production and R&D.
- » Mr. Nguyen Quoc Khanh was rotated from Executive Director Production and R&D to Executive Director Supply Chain

On December 13th 2013, the Board of Management accepted the resignation letter of Ms. Nguyen Huu Ngoc Tran, acting Executive Director Marketing since January 15th 2014.



Mr. MAI HOAI ANHExecutive Director Sales



Ms. NGUYEN THI NHU HANG Executive Director Raw Materials Development

Mr. Mai Hoai Anh was appointed Executive Director Sales in May 2012. He has been working for Vinamilk more than 16 years holding different positions as follows:

From February 1996 to April 2001: Staff in Import — Export Department.

From May 2001 to December 2003: Vice Department Head of Import — Export Department.

From January 2004 to December 2004: Department Head of Import — Export.

From January 2005 to May 2012: Import — Export Director.

From May 2012 up to now: Executive Director Sales.

Mr. Mai Hoai Anh graduated from Ho Chi Minh Economics University with a Bachelor and a Master of Business Administration in 2011 from Bolton University, United Kingdom. Ms. Hang first joined our Company in 1981 where she held the position of Deputy Manager in the consumption department until 2001. She was later promoted to the position of Director of Logistics Enterprise in August 2001 and held this position until December 2002. Then Ms. Hang was promoted to Deputy General Director in January 2003, where she was in charge of the technical project department. From July 2006, Ms. Hang was in charge of customers services and then in charge of managing and developing dairy farms that supply fresh milk to the Company. From 20 August 2009, the position of Ms. Hang has been changed to Executive Director in dairy development.

Besides, Ms. Hang was appointed the following positions in subsidiaries:

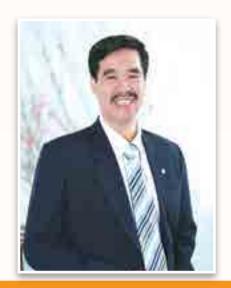
- » In July 2007, she was appointed Director of Vietnam Dairy Cow One-member Co., Ltd.
- » In October 2013, she was appointed General Director of Thong Nhat Thanh Hoa Dairy Cow One-member Co., Ltd.

Ms. Hang graduated from the Ho Chi Minh City University of Economics with a Bachelor of Business Administration degree.

THE BOARD OF EXECUTIVE DIRECTORS (cont.)



Ms. NGUYEN THI THANH HOA
Executive Director Production and R&D



Mr. NGUYEN QUOC KHANH Executive Director Supply Chain

Between 1978 and June 1983, Ms. Hoa was a lecturer at the Ho Chi Minh Polytechnic University. She later joined Vinamilk in 1983 as a Process Engineer at Truong Tho Dairy Factory. Ms. Hoa held the position of Deputy Director and then Director of Truong Tho Dairy Factory from July 1991 to 1999. In December 1999, Ms. Hoa was appointed Deputy General Director of our Company. From August 20th 2009, her title has been changed into Executive Director in charge of supply chain, in charge of planning, import - export, customer services departments, supply chain and logistics enterprises of our Company. In September 2013, she was rotated to the position of Executive Director Production and R&C and has held this position until now.

Ms. Hoa graduated from Moscow University of Meat & Milk Processing Technology (now called Moscow National General University of Applied Biology Technology) in 1978 with a Bachelor in Milk Processing Technology.

Mr. Khanh joined the Company in January 1988 at the position of KCS at checking department, Thong Nhat Dairy Factory. In 1996, Mr. Khanh was appointed Deputy Manager of production workshop, then was Manager of production workshop of Thong Nhat Dairy Factory in 1998. In 2003, Mr. Khanh was promoted to the position of Acting Director of Can Tho Dairy Factory. In 2004, he was appointed Director of Can Tho Dairy Factory and held this position until September 2009. Then, Mr. Khanh was appointed Executive Director Production and R&D where he was in charge of the Company's factories and Research and Development Centre & Food Safety until September 2013. In September 2013, he was rotated to the position of Executive Director Supply Chain and has held this position until now.

Mr. Khanh graduated from Ho Chi Minh City Polytechnic University in 1987, majoring in Chemical Technique and Foods. He also holds a Bachelor of Business Administration from Ho Chi Minh City University of Economics in 1997 and a Bachelor in English from Ho Chi Minh City University of Social Science and Humanism in 2001.



Ms. NGO THI THU TRANG
Member
Executive Director Finance

(Refer to "Board of Management" for information about Ms. Ngo Thi Thu Trang on page 73).



Mr. TRAN MINH VAN
Executive Director Project

Between 1990 and July 1994, Mr. Van was a Deputy Director of Thong Nhat Dairy Factory. In August 1994, he was appointed Director of the Thong Nhat Dairy Factory. He was appointed Deputy General Director in charge of the Project Department of our Company in July 2006. In December 2006, Mr. Van was appointed Director of a subsidiary namely, International One–Member Real Estate Investment Co., Ltd. From August 20th 2009, position of Mr. Van has been changed to Executive Director in charge of projects.

Mr. Van graduated from Ho Chi Minh City Polytechnic University in 1981 with a Bachelor in Engineering. He obtained his Bachelor of Business Administration from Ho Chi Minh City University of Economics in 1994, his Bachelor of Law with major in commercial laws from Ha Noi University of Laws in 2001 and Master of Business Administration from Ha Noi Polytechnic University in 2004.

NOT ONLY COMMIT ON QUALITY BUT ALSO ENSURE ABOUT QUANTITY

The establishment of "super factory" with the capacity of 400 million litters /year in the 1st period and with the world's most advanced technologies has once asserts an increasingly growing position of Vinamilk.





REPORT OF THE INSPECTION COMMITTEE

REPORT TO THE SHAREHOLDERS MEETING

Dear shareholders of Vietnam Dairy Products Joint Stock Company,

2013 continued to be a difficult and challenging year for the world economy and Vietnam was not an exception. The decrease in purchasing power of the market has caused certain effects on Vinamilk's business operations. Nonetheless, with a solid governance foundation, Vinamilk achieved commendable business results. Furthermore, Vinamilk also made important advances in the development of the risk management and control system in order to assist in achieving its long-term sustainable development goals.



I. ACTIVITIES OF THE INSPECTION COMMITTEE

The Inspection Committee (IC) consists of four (04) members appointed by the shareholders' meeting to undertake the supervisory activities regulated by laws and the company's charter. In 2013, with the close coordination of the Board of Management (BOM) and the Board of Executive Directors (BOD), the IC continued to inspect, monitor, and recommend necessary changes for Vinamilk in order to increase the effectiveness of the risk management system and improve corporate governance quality.

Meetings of the IC in 2013

In 2013, the IC conducted four (04) quarterly meetings as follows:

| Meeting/ Attendance | Meeting content |
|---|--|
| Meeting 1 | Agreed on the coordination method of the IC members. |
| May 13 th 2013 | Approved the inspection plan of Vinamilk's major business processes. |
| 4/4 | Assigned work scope and supervisory responsibility to each IC member. |
| Meeting 2 June 26 th 2013 | Approved the selection of a consulting company to review IC' terms of reference and standardize the IC' work processes. |
| 4/4 | Discussed the inspection results of Vinamilk's major business processes and work plan for the next 6 months. |
| Meeting 3 December 12 th 2013 | Discussed the consulting company's draft report after reviewing the IC' terms of reference and work processes. |
| December 12** 2013 | Approved the 2014 audit plan and personnel plan of the Internal Audit Department. |
| 3/4 | Discussed the external auditor assessment process and procedures as well as the IC' policy on external auditor proposal. |
| Meeting 4 | Reviewed the activities of the IC and Internal Audit Department in 2013. |
| January 10 th 2014 | Discussed the necessary changes in the IC' terms of reference and work process proposed by the consulting company. |
| 3/4 | Discussed and assigned responsibilities to make necessary preparations for the annual shareholders' meeting to |

Apart from the above-mentioned four (04) important meetings, the IC also discussed among the members via email and phone, conducted and attended many meetings with the BoM, the Risk Management Committee of the BoM, the Internal Audit Department (IA), the external auditors and potential consulting partners in order to fulfill the IC' duties.

each IC member.

Remuneration and allowance for the Inspection Committee members

Remuneration and allowance for each IC member in 2013 are as follows:

| Member | Total (*) Unit: VND million |
|--|-----------------------------|
| Nguyen Trung Kien Head of the IC | 615 |
| Nguyen Thi Tuyet Mai Appointed from April 26th 2013 | 378 |
| Vu Tri Thuc Appointed from April 26th 2013 | 378 |
| Nguyen Vu Ngoc Chuong | 511 |
| Nguyen Anh Tuan Resigned from April 26 th 2013 | 134 |
| Total | 2,016 |

(*) Including the deduction of personal income tax (if applicable)

In 2013, the shareholders' meeting approved an operation budget of VND 403 million for the IC. This amount was used for the following purpose:

| | Unit: VND million |
|--|-------------------|
| Approved budget | 403 |
| Paid for the consulting company to improve the IC's terms of reference and working process | 400 |
| Remained budget | 3 |

II. REPORT ON ACTIVITIES OF THE INSPECTION COMMITTEE

Monitoring the implementation of 2013 Annual General Meeting (AGM)'s resolutions

In 2013, Vinamilk executed all the plans that were approved by the shareholders in the AGM held in April 2013, including:

- » **Distribution of 2012 profit:** Vinamilk has fullyallocated funds into the various reserves, including: Investment and development fund, Financial reserved fund, Bonus and welfare fund and paid the 2nd dividend in on June 28th 2013.
- » Business results in 2013: In 2013, due to the decrease in purchasing power, Vinamilk could not meet 100% of the total revenue target set by the shareholders. However, the company still exceeded the profit before tax target.
- » Status of capital expenditure plan: Actual capital expenditure payout reached 55% of the plan registered with the shareholders meeting
- » Remuneration payment for the BoM and IC: Payments were made sufficiently and complied with the amount approved by the shareholders meeting.
- Establishment of the Risk Management Committee under the BoM: In 2013, the IC coordinated with the Risk Management Committee to complete the risk management process and system as well as set up the company's risk map.

Monitoring the company's financial performance in 2013

The IC conducted regular meetings with the external auditor of Vinamilk (i.e. KPMG Co., Ltd. for 2013, hereinafter referred to as "KPMG") on audit scope, audit results and other matters related to Vinamilk's internal control system. Every quarter, the IC reviewed and analyzed the information and financial data in the

company's financial statements.

Based on the periodic reports and analytical data presented by the BoD in the BoM's meetings, the quarterly reports reviewed by the auditor and the audited financial statements as at December 31st 2013, the IC found that Vinamilk maintained a healthy financial position; Vinamilk's business results actually reflected truly the efforts and performance of the company during the year:

- » The basic indicators of debts, loan capital, liquidity, efficiency of asset usage, provisions, and equity were all at good benchmarks, and
- » Vinamilk's profit results all met and exceeded the targets approved by the shareholders meeting in early 2013.

Monitoring the company's activities in 2013

a. Risk management system:

The IC closely monitored and contributed to promote the development and improvement of Vinamilk's Enterprise Risk Management (ERM) system through the following activities:

- » Regularly discussed and contributed ideas to the Risk Management Committee (under the BoM) and Vinamilk's management about the expansion of the ERM system; and
- » Observed the meetings in which the company reviewed the enterprise risk portfolio and identified the top risks.

In the ERM model that will be completed in 2014, the IC plays the role of an inspector and supervisor of all ERM management activities throughout the company.

b. Audit review activity of the IA Department:

The IA continues to be a department under the IC and independent from Vinamilk's management activities. During its operation, the IA has sufficient necessary resources and the information access rights to fulfil its tasks. The IA also has the rights to directly report the



audit results of Vinamilk's operation processes to the Chairwoman and the IC. In 2013, the IA completed audit reviews on the following processes:

- » Operation process of the dairy farms and Vietnam Dairy Cow One-member Co., Ltd.
- » Operation process of the Logistics enterprise
- » Procurement process of fresh milk at plants
- » Compliance in issuing shares for employees in the 2007-2013 period.
- » Construction and inspection processes of the internal roads at Vietnam Milk Factory
- » Cash flow management process
- » Selling expenses management process
- » Procurement process of milk powder
- » Marketing and Public Relations activities management process
- » Process for selecting suppliers for internal investment projects.

c. Assessment results of compliance with laws, charters and regulations

The IC found that there were no significant risks in the management processes of Vinamilk as well as in the compliance with laws, charters and regulations of relevant individuals and departments in the Company. The action plans to improve the control system as recommended by the IA were also fully performed by the management units of the company.

Monitoring the coordination between the IC and the BoM, the BoD and shareholders

In 2013, the IC fully attended the BoM's quarterly meetings and other meetings upon request, timely grasped the actual business development of Vinamilk, and contributed ideas to the BoM and the BoD in achieving the targets approved by the shareholders meeting in April 2013.

Appointment of the external auditors for the fiscal year 2014

In 2013, the IC had regular meetings with the external auditor and completed the procedures to assess the qualifications, expertise and resources, the efficiency and independence of external auditors. In addition, the IC also reviewed and considered scope of non-audit services provided by KPMG to ensure the independence and objectivity of KPMG's audit activities.

The audit fee and other consulting fees paid by Vinamilk to KPMG in the fiscal year 2013 (excluding VAT) are as follows:

| >> | Audit fee for financial statements | VND 1,200 million |
|----------|------------------------------------|-------------------|
| » | Other consulting fees: | VND 2,735 million |



REPORT OF THE INSPECTION COMMITTEE (cont.)

The IC believed that the nature and scope of the non-audit services do not prejudice the independence and objectivity of the external auditor in their task fulfillment.

The IC notified BoM of the procedures to submit to the shareholders' meeting for appointment of external auditors for the 2014 fiscal year.

III. THE INSPECTION COMMITTEE'S ACTIVITY PLAN IN 2014

In 2013, with the effort and objective to improve the inspection activities, the IC used the consulting service provided by KPMG to review the IC's terms of reference and work process. The review results and proposals from KPMG have provided the IC with a thorough and comprehensive view of a more contemporary and effective IC model which is close to the world's best practices and in compliance with Vietnam laws.

Based on the consultation results, the IC will continue improving its work processes as well as supervisory activities through the IA, the external auditor, and direct activities of the IC members to ensure the compliance in the BoM and BoD's activities. The above-mentioned works will help develop the business and risk management capability of Vinamilk, and are essential parts in the company's sustainable growth strategy. The detailed work plan for 2014 are as follows:

Internal Audit (IA)

With the risk management system already implemented to the business unit management levels, the IA will conduct audit reviews based on the risk map to ensure that internal audit activities cover the most significant risks, and thereof strengthen Vinamilk's risk management activities.

The IA has set up its development strategy for the next three years, focusing on developing human resource and system as well as professional competencies to meet the requirements of internal audit activities to align with the company's risk map.

External auditors

The IC will improve the interaction content and method with the external auditor as well as the external



auditor assessment and proposal processes to the shareholders' meeting. The assessment process will involve Vinamilk's CEO and Finance Executive Director.

Other activities

The IC will continue monitoring the implementation of the risk management system at business unit management levels, as well as assisting Vinamilk in improving the processes and procedures to control related parties and interested-person transactions (RPT/IPT).

The IC will also gradually complete its operation processes based on the consulting company's proposals and Vinamilk's operating practices.

We are committed to support the company to build a growing Vinamilk and would like to thank all the shareholders for your trust and support given to the IC in 2013 and in the time to come.

Sincerely,

Ho Chi Minh City, March 24th 2014

On behalf of the Inspection Committe



Nguyen Trung Kien Head of the Inspection Committee

REPORT ON CHIEF EXECUTIVE OFFICER SUPERVISION OF THE BOARD OF MANAGEMENT

The Board of Management (BOM) has supervised and reviewed the activities of the Chief Executive Officers (CEO) in implementing the resolutions of the Shareholders Meeting and the BOM in 2013 as follows:

Method of supervision

- » Through the quarterly meetings and other meetings upon request, the Board of Management has made discussions and questions about the CEO's activities in the implementation of strategies and objectives that were approved at the Shareholders Meeting in April 2013. The CEO reported in details the schedule as well as difficulties and obstacles during the implementation progress. The BOM and the CEO jointly discussed directly or in written to give out solutions, making commitment to accomplish the Shareholders Meeting's goals.
- » The BOM incorporated with the IC to monitor closely the actual performance of Vinamilk and gave advices to the CEO and the BOD to fulfil the Company's set business targets. The BOM made detailed and opened discussion on opinions and suggestions from the IC under the roles of supervisor and representative of the investor. The opinions all were respected and considered when making decisions of the BOM and the CEO.
- » In addition, the BOM worked with the Internal Control and Risk Management Department to develop enterprise risk management structure in accordance with the advanced rules and standards in the world.
- » The committees under BOM, through regular meetings and team-work activities, reviewed all of the corporate governance issues that need to be improved.
- » The BOM released the resolutions after periodic meetings and requested meetings to approve the plan for the next quarter and other related issues as basis for CEO's implementation.



Results of supervision

2013 remained a challenging year to Vietnamese enterprises with so many fluctuations in both Vietnamese and global economy. After a long time in high inflation and low growth, the confidence of Vietnamese people has declined; the business environment has also become more difficult. In 2013, although the total revenue showed a slight decrease compared to the set plan, the Chief Executive Officer and the Board of Executive Directors finished the plan and goals that the Shareholders Meeting entrusted. The results of CEO's performance as entrusted by the Shareholders Meeting include:

• Revenue and profit

| (VND Billion) | Actual 2013 | Plan 2013 | Actual 2012 | % Actual/ plan | Increase compared to 2012 |
|-------------------|-------------|--------------|----------------|-------------------|---------------------------------|
| Total revenue | 31,586 | 32,500 | 27,102 | 97% | 17% |
| Profit before tax | 8,010 | 7,830 | 6,930 | 102% | 16% |
| Profit after tax | 6,534 | 6,230 | 5,819 | 105% | 12% |

(Sources: consolidated financial statements).

Capital expenditure

Projects on new factory construction, factory expansion, and technology and infrastructure improvement have been completed on schedule. To be specific:

- » Put Vietnam Dairy Factory into commercial operations from May 2013, operating 100% capacity of factory and intelligent warehouse on July 11st 2013 for inspection and acceptance.
- » Inaugurated Vietnam Powdered Milk Factory on April 22nd 2013 and put the factory into operation.
- » Continued increasing capacity of Tien Son Factory and Lam Son Dairy Factory.
- » Deployed cow farms: Ha Tinh, Lam Dong and Thong Nhat Thanh Hoa.

Corporate governance

- » Completed selection of independent auditor, KPMG Co., Ltd.
- » Completed amendment and issuance of Charter 2013 on April 26th 2013.
- » Brought responsibility insurance for the Board members through insurance policy no. HCM3.D07.D&O.12 HD01 on December 24th 2012.
- » Established Committee for Risk Management.
- » Reviewed and revised the Company's corporate governance in conformity with the laws, the best corporate governance rules, and respecting the local nature of business.
- » Deployed succession plan for the Company's management positions.
- » Improved risk management activities (ERM) by setting up ERM structure and ERM documentary system, and training ERM.

Conclusion

According to the Board's assessment, the CEO excellently fulfilled her duties in 2013 and strictly complied with processes and regulations in corporate governance activities in accordance with the Company's Charter, the corporate governance and the prevailing legal regulations.

REPORT ON BOARD OF EXECUTIVE DIRECTOR SUPERVISION OF THE BOM

According to the Board of Management (BOM), the Board of Executive Directors (BOD) excellently fulfilled its duties in 2013 and strictly complied with processes and regulations on the Charter, the Company's corporate governance, and the prevailing legal regulations. To be specific:



Method of supervision and review

According to the Company's corporate governance, the BOM is responsible for releasing regulations on assessment of competency of the BOD's members, at least including such contents as approach, frequency, method and sequence of assessment. In addition, the BOM can base on (i) self-assessment worksheets of BOD's members and (ii) assessment on BOD's members of the CEO. Pursuant to the issued internal regulations, on the basis of identifying priorities of the BOM's tasks and the Company's actual operations, the BOM has chosen the second approach to make assessment on the BOD. The assessment contents focus on the BOD's implementation of the BOM's resolutions. The BOD's members are assessed in both respects: KPI (MBO) implementation and competency.

In reality, the self-assessment of each BOD member and the assessment of BOM on each BOD member are done regularly, based on the system of quantitative and qualitative items objectivity and scientifically which are specified appropriately through a description of works and responsibilities for each member of the BOD. Assessment results are provided and presented adequately to the Nominating Committee under the BOM for consideration before submitting to the BOM for discussion and approval.

Results

In 2013, despite operating in a unfavourable business environment, keen competition, declined purchasing power, and increased input costs, under the leadership of Chief Executive Officer, the BOD's members expressed the spirit of solidarity, dynamic, creativity, professionalism, dare-to-think dare-to-act, and high responsibility in their works. Thanks to that, the BOD excellently completed and successfully exceeded the targets assigned by the Shareholders Meeting for the key items. The leading position and the reputation of Vinamilk on the market have been continued to be maintained and stabilized. The shareholders' capital is preserved and brings a high benefit rate. The lives of workers and the working environment are thereof improved; more and more employees become fond of the Company. A series of major investment projects were completed and put into operation on schedule in 2013 which has contributed to enhance production capacity, preparing a solid foundation for the Company to enter a new period of development, aiming towards the goal of USD 3 billion of total sales by 2017.

CORPORATE GOVERNANCE REPORT

In 2013, the Board of Management of Vinamilk continues making many notable efforts in self-improvement in order to gradually improve governance capacity in both quantity and quality.





CORPORATE GOVERNANCE

THE BOARD OF MANAGEMENT (the Board)

Board members and structure

List of the Board members:

The Board term of 2012 – 2016 has 07 members as below:

| | Member | Title | Ownership of voting right |
|----|-----------------------|-------------------------|---|
| 1. | Ms. Mai Kieu Lien | Chairwoman | Self-ownership: 2,265,480 shares; Representative of SCIC: 62,622,000 shares. |
| 2. | Mr. Le Song Lai | Non-executive member | Self-ownership: 0 share; Representative of SCIC: 250,488,000 shares. |
| 3. | Mr. Le Anh Minh | Non-executive member | Self-ownership: 0 share; Representative of investment funds: 34,305,815 shares. |
| 4. | Mr. Ng Jui Sia | Non-executive member | Self-ownership: 0 share; Representative of F&N Dairy Investments Pte Ltd: 79,50,485 shares. |
| 5. | Ms. Le Thi Bang Tam | Independent member | Self-ownership: 0 share. |
| 6. | Mr. Ha Van Tham | Independent member | Self-ownership: 0 share. |
| 7. | Ms. Ngo Thi Thu Trang | Member | Self-ownership: 686,362 share; Representative of SCIC: 62,622,000 shares. |

Notes: The number of owned shares is referred to the list of shareholders on December 18th 2013.

The Resolution of Shareholders' Meeting on April 26th 2013 gave approval on:

- Appointment of Mr. Pascal De Petrini, representative of major shareholder F&N Dairy Investments Pte Ltd.
- Appointment of 2 independent members, Ms. Le Thi Bang Tam and Mr. Ha Van Tham.

On May 23rd 2013, Mr. Pascal De Petrini resigned from his position of Board member. Mr. Ng Jui Sia, representative of capital of F&N Dairy Investments Pte Ltd., was selected to replace Mr. Pascal De Petrini. The appointment of Mr. Ng Jui Sia will be approved in the Shareholders' Meeting 2014.

The Board of Management has two (02) independent members and three (03) non-executive members. Brief profiles of the Board members, including their positions in other entities are presented in pages 70-73 of this report.





Committees under the Board

| MEMBER | STRATEGY AND DEVELOPMENT COMMITTEE | RISK MANAGEMENT COMMITTEE | NOMINATING COMMITTEE | ALLOWANCE COMMITTEE |
|-------------------------|------------------------------------|------------------------------|-------------------------|------------------------|
| Chairman/ Chairwoman | 1. Mr. Le Song Lai | 1. Mr. Le Anh Minh | 1. Mr. Ha Van Tham | 1. Ms. Le Thi Bang Tam |
| Member | 2. Ms. Mai Kieu Lien | 2. Mr. Ng Jui Sia | 2. Ms. Mai Kieu Lien | 2. Mr. Ng Jui Sia |
| Member | 3. Ms. Ngo Thi Thu Trang | 3. Mr. Ha Van Tham | 3. Mr. Le Song Lai | 3. Mr. Le Anh Minh |
| Member | 4. Ms. Le Thi Bang Tam | 4. Ms. Ngo Thi Thu Trang | | |

Board performance

Number of the Board's meetings

The Board conducts its meeting on a quarterly basis during the year. The extraordinary meetings are convened when circumstances required. The members of the Inspection Committee are also informed and invited to attend the meetings of the Board for their supervisory purpose.

The Board held 4 meetings in 2013. The attendance record of Board meetings held during the fiscal year ended 31 December 2013 is set out in the table below:

| No. | Full name | Number of meetings | Attendance |
|-----|-----------------------|--------------------|------------|
| 1 | Ms. Mai Kieu Lien | 4 | 4 |
| 2 | Mr. Le Song Lai | 4 | 3 |
| 3 | Mr. Le Anh Minh | 4 | 4 |
| 4 | Ms. Ngo Thi Thu Trang | 4 | 4 |
| 5 | Mr. Pascal De Petrini | 2 | 2 |
| 6 | Mr. Ng Jui Sia | 2 | 2 |
| 7 | Ms. Le Thi Bang Tam | 2 | 1 |
| 9 | Mr. Ha Van Tham | 2 | 1 |

Notes:

- » Ms. Le Thi Bang Tam was assigned the Board member from April 26th 2013.
- » Mr. Ha Van Tham was assigned the Board member from April 26th 2013.
- » Mr. Pascal De Petrini resigned from the Board member from May 23rd 2013.
- » Mr. Ng Jui Sia was assigned the Board member from May 23rd 2013.

Contents and results of the Board meetings

| Meeting | Numbers of Attendants | Main content |
|-------------------------------------|--|--|
| | | Approved the business results in 2012 |
| | | Approved the plan to organize AGM 2013 |
| | 5/5 | Approved the investment projects in foreign countries |
| Meeting 1 January 25 th | Observer: Member of the | • Evaluated the scale and composition of the Board and management apparatus |
| 2013 | Inspection | Approved the MBO result and allowance structure for BOM and BOD |
| | Committee | Consolidated and assessed the performance of the Board and of the Board members in 2012 |
| | | Approved the report of the Chief Executive Officer. |
| | | Approved the performance of Quarter I 2013 |
| | 5/5 | Approved the performance plan for Quarter II 2013 |
| Meeting 2 | Observer: | Approved the succession planning for the Board of Executive Directors and the Chief Accountant |
| April 25 th 2013 | Member of the Inspection | Gave regulations on the independence of the Board members |
| | Committee | Approved the information security policy |
| | | Other matters: Esop, Selection of US Agent. |
| | | Discussed and approved the contents of Corporate governance |
| Meeting 3 | 5/7 | Implementation of the AGM's resolutions |
| J | Observer: | Implementation of the Board's Resolution |
| July 26 th 2013 | Member of the Inspection Committee | Performance report of Quarter II 2013 and performance plan for Quarter III 2013 |
| | | Approved investment projects |
| | | The contents of corporate governance |
| | | Revised the BOM's authorization for the CEO |
| Meeting 4 | 6/7 | Considered the methods to improve corporate governance and assigned the responsibility of improving corporate governance to the proper committee |
| | Observer: | Implementation of the AGM's resolutions |
| November 29 th 2013 | Member of the Inspection | • implementation of the Board's Resolution |
| | Committee | • Performance report of Quarter III 2013 and performance plan for Quarter IV 2013 |
| | | Contents of investment projects |
| | | Plan for sales and profit of 2014 |

CORPORATE GOVERNANCE REPORT (cont.)

After these meetings, the BOM passed the following resolutions:

| No. | Reference | Date |
|-----|---------------------|--------------------------------|
| 1 | 01/NQ-CTS.HĐQT/2013 | January 26 th 2013 |
| 2 | 02/NQ-CTS.HĐQT/2013 | January 31 st 2013 |
| 3 | 03/NQ-CTS.HĐQT/2013 | January 31 st 2013 |
| 4 | 04/NQ-CTS.HĐQT/2013 | February 26 th 2013 |
| 5 | 05/NQ-CTS.HĐQT/2013 | March 4 th 2013 |
| 6 | 06/NQ-CTS.HĐQT/2013 | April 25 th 2013 |
| 7 | 07/NQ-CTS.HÐQT/2013 | May 3 rd 2013 |
| 8 | 08/NQ-CTS.HĐQT/2013 | May 17 th 2013 |
| 9 | 09/NQ-CTS.HĐQT/2013 | May 23 rd 2013 |
| | | |
| 10 | 10/NQ-CTS.HĐQT/2013 | June 18 th 2013 |
| 11 | 11/NQ-CTS.HĐQT/2013 | June 18 th 2013 |
| 12 | 12/NQ-CTS.HĐQT/2013 | July 5 th 2013 |
| 13 | 13/NQ-CTS.HĐQT/2013 | July 26 th 2013 |
| 14 | 14/NQ-CTS.HĐQT/2013 | August 30 th 2013 |
| 15 | 15/NQ-CTS.HĐQT/2013 | September 9 th 2013 |
| 16 | 16/NQ-CTS.HĐQT/2013 | October 25 th 2013 |
| 17 | 17/NQ-CTS.HĐQT/2013 | October 28 th 2013 |
| 18 | 18/NQ-CTS.HĐQT/2013 | November 29 th 2013 |
| 19 | 19/NQ-CTS.HĐQT/2013 | December 13 th 2013 |
| 20 | 20/NQ-CTS.HĐQT/2013 | December 13 th 2013 |
| 21 | 21/NQ-CTS.HĐQT/2013 | December 24th 2013 |

| Description | | |
|--|--|--|
| Deciding the bonus for the Board members. Approving the MBO assessment results of the BOD and the CHIEF ACCOUNTANT. | | |
| Deciding to invest in construction of a factory in Cambodia. | | |
| Approving some issues at the 4^{th} meeting of the BOM in 2012. | | |
| Adjusting regulations on employee share program. | | |
| Proposing increasing dividend for 2012 for approval from the Shareholders Meeting, decision on time and location to organize AGM 2013. | | |
| Registering to increase share capital of Vinamilk. | | |
| Notes: | | |
| The issuance and increase of share capital is pursuant to the Resolution of the AGM 2012 which was completed and disclosed according to regulations. | | |
| The issuance of this Resolution is to recognized and approved exactly the amount of capital to be increased in line with the request of the Department of Planning and Investment. | | |
| Selecting Vinamilk's commercial representative in the United States. | | |
| Record date for list of shareholders and payment date of dividends for the 2 nd time in 2012. | | |
| Changing members of the BOM. | | |
| Approving to increase investment capital in Miraka. | | |
| Notes: | | |
| The issuance of this Resolution is only to approve policy and is the first procedure to enable Vinamilk to implement capital contribution procedures. After getting approval from the related competent authorities and completing capital contribution procedures, Vinamilk will disclose the capital increase. | | |
| Approving some provisions and conditions to consider purchasing overseas shares. | | |
| Assigning capital representatives and authorizing the Chief Executive Officer to appoint managers for joint venture company in Cambodia. | | |
| Approving advanced payment for dividend for the 1st time in 2013. | | |
| Adjusting the project of establishing. | | |
| Transferring personnel in the BOD. | | |
| Adjusting organisation structure. | | |
| Establishing Thong Nhat Thanh Hoa Co., Ltd. and assigning capital representative of this company. | | |
| Paying in advance for dividend of 2012 in cash. | | |
| Approving the issues in the 3 rd meeting of the Board of Management. | | |
| Accepting resignation letter of Ms. Nguyen Huu Ngoc Tran – Acting Executive Director Marketing. | | |
| Appointing capital representative and joining in the Board of Management of Driftwood. | | |

CORPORATE GOVERNANCE REPORT (cont.)

Activities of the Board's committees

The Board's committees operate under clearly defined principles and practices in accordance with the Company's corporate governance. The committees prepare their working contents and attend the Board meetings.

The activities of the committees during the year are detailed as follows::

| Committee | Activity |
|---------------------------------------|---|
| Strategy and Development Committee | Proposing supplementation and amendment of mission, vision, strategic objectives, and key areas. |
| | Building risk management policy |
| | Setting up risk criteria – parameters |
| Diela Managrapa ant Canagaitte | Identifying major risk portfolio |
| Risk Management Committee | Setting up and releasing the Committee's working process |
| | Undertaking task of corporate governance, namely considering plan to improve the responsiveness of corporate governance in accordance with the standards of advanced practices. |
| | Executing reports on CEO and BOD supervision |
| N. i. i. C. iii | Building regulations on executing the BOM's reports on CEO supervision |
| Nominating Committee | Developing a roadmap to identify (i) criteria for evaluating capacities and qualities of the Board members and (ii) criteria for assessing the independence of the Board independent members for the purpose of maintaining the independence. |
| Remuneration Committee | Building policy on allowance for the Board members, the Inspection Committee, and the Board Secretaries |
| | Determining allowance for the Board members in 2013 |

In which, the independent members undertake the Chief of Remuneration Committee and the Chief of Nominating Committee for the purpose of increasing the independence of the contents in charge by these committees as well as best responding the regulations on corporate governance in line with Circular 121.

General assessment on the Board performance

In order to increasingly improve quality of the Company's corporate governance, commensurate with its position as the leading listed company in Vietnam, in 2013, the Board of Management of Vinamilk continued making many notable efforts in self-improvement in order to gradually improve governance capacity in both quantity and quality. To be specific:

- » The BOM maintained regular operations in compliance with the provisions in the Charter and the Company's corporate governance to ensure the requirements on number of meetings and number of attendees to meet the legality and the effectiveness of the meeting results.
- Actively stabilized structure of the BOM on the basis of restructuring the compositions of committees, enhancing specialization, and promoting advantages and strong points of each member to improve operational efficiency. The committees have made all efforts in building and finishing operation regulations, and implementing effectively duties of each committee under the Company's corporate governance. Performance and outcome of each committee have been timely reported to the Board. Each member implemented actively and positively their responsibilities and contributed opinions onto the Board's final decision.
- » The BOM gave specific implementation orientation to ensure the feasibility of the proposed policy and closely monitored the implementation of the AGM's resolutions as well as the business operations of the Company.
- » The BOM also oriented and supervised the implementation of the Company's key programs such as risk management system and succession planning.
- » The supervision of the operations of Chief Executive Officer and senior managers was implemented effectively and actually

Board members attending programs on corporate governance during the year.

In 2013, the Board members and the Board Secretaries attended the training course on corporate governance. The Board members who joined in included:

- » Mr. Le Song Lai
- » Mr. Le Anh Minh
- » Ms. Ngo Thi Thu Trang

TRANSACTIONS, ALLOWANCE AND INTERESTS OF THE BOARD OF MANAGEMENT, THE BOARD OF EXECUTIVE DIRECTOR, AND THE INSPECTION COMMITTEE

Salary, bonus, allowance, and other interests

1. The Board of Management:

| | | | Salary | Bonus | Allowance | Total |
|-----|-------------------|----------------------|--------|-------|-----------|-------|
| Ms. | Mai Kieu Lien | Chairwoman | 36% | 62% | 2% | 100% |
| Mr. | Le Song Lai | Non-executive member | | 20% | 80% | 100% |
| Mr. | Le Anh Minh | Non-executive member | | 20% | 80% | 100% |
| Mr. | Pascal De Petrini | Non-executive member | | 20% | 80% | 100% |
| Mr. | Ng Jui Sia | Non-executive member | | 22% | 78% | 100% |
| Ms. | Le Thi Bang Tam | Independent member | | 21% | 79% | 100% |
| Mr. | Ha Van Tham | Independent member | | 21% | 79% | 100% |
| Ms. | Ngo Thi Thu Trang | Member | 48% | 49% | 3% | 100% |

2. The Inspection Committee:

| | | | Salary | Bonus | Allowance | Total |
|-----|--------------------------|--------------------------------------|--------|-------|-----------|-------|
| Mr. | Nguyen Trung Kien | Chief of the Inspection Committee | | 0% | 100% | 100% |
| Mr. | Nguyen Vu Ngoc Chuong | Member | | 0% | 100% | 100% |
| Ms. | Nguyen Thi Tuyet Mai | Member | | 0% | 100% | 100% |
| Mr. | Nguyen Anh Tuan | Member | | 0% | 100% | 100% |
| Mr. | Vu Tri Thuc | Member | | 0% | 100% | 100% |

3. The Board of Executive Directors:

| | | | Salary | Bonus | Allowance | Total |
|-----|----------------------|--------------------|--------|-------|-----------|-------|
| Mr. | Mai Hoai Anh | Executive Director | 51% | 49% | | 100% |
| Ms. | Nguyen Thi Nhu Hang | Executive Director | 50% | 50% | | 100% |
| Ms. | Nguyen Thi Thanh Hoa | Executive Director | 52% | 48% | | 100% |
| Mr. | Nguyen Quoc Khanh | Executive Director | 51% | 49% | | 100% |
| Ms. | Nguyen Huu Ngoc Tran | Executive Director | 58% | 42% | | 100% |
| Mr. | Tran Minh Van | Executive Director | 51% | 49% | | 100% |
| | 3 , 3 | | | | | |

Change in ownership rate of internal shareholders

| | | | Number of share | | | Rate (%) | |
|---|---|-------------|-----------------|--------------------------|--------|----------|--------|
| | | 2012 | 2013 | Purchasing/ (Selling) | 2012 | 2013 | Change |
| | The Board of Management | | | | | | |
| 1 | State Capital Investment Corporation (SCIC) | 375,732,000 | 375,732,000 | - | 45.05% | 45.05% | 0.00% |
| 2 | Mai Kieu Lien | 2,265,480 | 2,265,480 | _ | 0.27% | 0.27% | 0.00% |
| 3 | Ngo Thi Thu Trang | 686,362 | 686,362 | - | 0.08% | 0.08% | 0.00% |
| 4 | Le Anh Minh (Representative of funds) | 42,351,315 | 33,764,815 | (8,586,500) | 5.08% | 4.05% | -1.03% |
| | » Vietnam Enterprise Investments Limited | 19,513,620 | 14,113,620 | (5,400,000) | 2.34% | 1.69% | -0.65% |
| | » Griling International Limited | 6,215,985 | 3,715,985 | (2,500,000) | 0.75% | 0.45% | -0.30% |
| | » Amersham Industries Limited | 16,621,710 | 12,021,710 | (4,600,000) | 1.99% | 1.44% | -0.55% |
| | » Norges Bank | 0 | 3,913,500 | 3,913,500 | 0.00% | 0.47% | 0.47% |
| 5 | Ng Jui Sia (Representative of F&N Dairy Investment) | 79,507,485 | 79,507,485 | - | 9.53% | 9.53% | 0.00% |
| 6 | Nguyen Thi Bang Tam | - | - | - | 0.00% | 0.00% | 0.00% |
| 7 | Ha Van Tham | - | | | 0.00% | 0.00% | 0.00% |
| | The Inspection Committee | | | | | | |
| 1 | Nguyen Trung Kien | 22,500 | 22,500 | - | 0.00% | 0.00% | 0.00% |
| 2 | Nguyen Vu Ngoc Chuong | - | - | - | 0.00% | 0.00% | 0.00% |
| 3 | Nguyen Thi Tuyet Mai | 23,405 | 23,405 | _ | 0.00% | 0.00% | 0.00% |
| 4 | Vu Tri Thuc | _ | | | 0.00% | 0.00% | 0.00% |
| | The Board of Executive Directors | | | - | | | |
| 1 | Mai Kieu Lien (as above) | | | - | | | |
| 2 | Ngo Thi Thu Trang (as above) | | | - | | | |
| 3 | Mai Hoai Anh | 152,325 | 152,325 | _ | 0.02% | 0.02% | 0.00% |
| 4 | Nguyen Thi Nhu Hang | 359,572 | 279,572 | (80,000) | 0.04% | 0.03% | -0.01% |
| 5 | Nguyen Thi Thanh Hoa | 532,215 | 532,215 | - | 0.06% | 0.06% | 0.00% |
| 6 | Nguyen Quoc Khanh | 237,960 | 137,960 | (100,000) | 0.03% | 0.02% | -0.01% |
| 7 | Tran Minh Van | 420,030 | 420,030 | | 0.05% | 0.05% | 0.00% |
| | The Chief Accountant | | | | | | |
| | Le Thanh Liem | 145,035 | 145,035 | - | 0.02% | 0.02% | 0.00% |
| | | | | | | | |

CORPORATE GOVERNANCE REPORT (cont.)

Contracts or transactions with internal shareholders

Regarding to the responsibility of honesty and avoidance of conflict of interests as stipulated in the Company's Charter, the Board members, the Inspection Committee members, Executive Directors, Chief Accountant and other key positions who are appointed and removed by the Board of Management basing the Chief Executive Officer's recommendation, have responsibility to disclose to the Board all their interests which may cause conflict of interests through other legal entities, transactions or other individuals within 7 working days from the date those interest incur.

- » In 2013, the Company did not receive any notice from these members and their related parties.
- » The Company also did not provide any loan, guarantee or credit facility to these members and their related parties.

Performance of the Company's corporate governance

In 2013, Vinamilk made all efforts to perform in accordance with the advanced corporate governance and fully complied with the laws for a public listed company. This has help raise the Company's corporate governance quality in all respects. In which the most outstanding contents are:

- » Increasing the number of Board members from five to seven, including the addition of two independent members.
- » Restructuring the Board's committees, supplementing members and assigning responsibilities in details and obviously to each member.
- » Improving methods and agenda of the Board meetings according to the advanced practices.
- » Increasing participation level of the Board of Management and the Inspection Committee in developing long-term strategies, building the Company's risk management system.
- » Complying and best implementing the information disclosure to shareholders and related parties about the performance situation and information disclosure.

Besides, regarding the deployment of training courses on corporate governance at the training entities which are recognized by the State Securities Commission, the Company has made efforts to facilitate the Board members, the members of Inspection Committee, the Chief Executive Officer, and the Chief Accountant of the Company to attend the training courses on corporate governance at the training entities accredited by the State Securities Commission. However, in 2013, some members have not taken sufficient attendance due to both objective and subjective reasons such as conditions for attendance, difference in language, geographical location, etc.



RISK MANAGEMENT REPORT



Since 2010, Vinamilk initiated Enterprise Risk Management (ERM) system and integrated into the Company's operations. After three years of implementation, in 2013, Vinamilk aimed to assess and improve the ERM system. The ERM system thereof has been upgraded to a new stage, from Reactive stage to Tactical stage. In addition, the ERM system has been increasingly integrated deeply into the business activities of the Company, creating a right and sustainable development strategy.

ERM SYSTEM FROM THE REACTIVE STAGE TO TACTICAL STAGE

At each stage, the ERM system is evaluated on three aspects: people, process and system (rated on the scale of KPMG). In 2013, performance results were reported with the following key points:

People:

Vinamilk has focused on improving and raising the ERM structure and training of risk management knowledge for the key persons. To be specific:

- Establishing Risk Management Committee, including the BOM's members (the committee's structure is referred to in corporate governance report of this report).
- Establishing the Council for managing the Company's risks, including the Executive Board and the directors under the Chief Executive Officer.
- The Risk Management Committee and the Risk Management Council implement activities under the Company's working regime that was set up and released in accordance with the Risk Management Policy.
- Implementing training programs on risk management knowledge to the members of the Sub-Committee for Risk Management, the Risk Management Committee, the Risk Management Division, the Inspection Committee, and the Internal Audit according to the standards and the advanced practices.

Process:

Vinamilk has reviewed and improved the documentation of the ERM system in accordance with the standards and advanced practices with the support from KPMG experts:

- Reviewing Risk Management Policy and Procedure.
- Preparing Risk Management Handbook as a manual on overall risk management of the Company.
- Constructing and develop a control selfassessment process for major risks. This is considered a self-defence layer for risk owners in ensuring the effectiveness and efficiency of control system.
- Integrating risk management into the Company's main activities in 2013 such as project management, succession planning, corporate governance, etc.

System:

Vinamilk has improved the ERM system continually in line with "Forward-Looking" trend through forecasting reports and trend analysis. With simple and accessible objective for the ERM system, in this period, Vinamilk uses simple support tools (such as Excel or PowerPoint reports) to record and present information about risk management activities.

With the current ERM system, Vinamilk's risk management structure and the top risks identified in 2013 include the following contents:

Vinamilk's Risk Management Structure

Vinamilk continues to pursue ISO 31000:2009 for its ERM system. The risk management structure is reviewed and improved by ensuring the implementation of requirements of the standards as well as succeeding the advanced practices of the world. The structure includes 4 layers:

- **Establishment layer:** Includes Board of Management and Risk Management Committee. This layer takes responsibility to the shareholder for an effective risk management system and ensures the risks to be well-controlled.
- **Implementation layer:** Includes Risk Management Committee, Chief Risk Officer, and Risk Coordinators. This layer takes responsibility for establishing and implementing risk management template within the Company's activities.
- **Management layer:** Includes Inspection Committee and Internal Audit. This layer provides guarantee on risk information verification and efficiency of independent audit.
- **Guarantee layer:** Includes Inspection Committee and Internal Audit. This layer provides guarantee on risk information verification and efficiency of independent audit.



Top Risks of Vinamilk

Along with the review of structure, policy and process in 2013, Vinamilk also conducted review the list of risks. On the basis of the balance between benefits and costs, the Company decided to choose the top risks to focus resources to manage, contributing to achieve the Company's goals.

Top 10 Risks of Vinamilk are:

| Risk ref. | Risk title | Risk description | Risk category |
|--------------|---|--|---------------|
| ST007 | Competition Risk | Ability to defend, maintain and/or increase Vinamilk's strategic objectives in relation to the market environment. | Strategic |
| ST008 | Loss of Key Customers | Breakdown of relationship with key customers, resulting in a loss of revenue. | Strategic |
| ST017 | Key Person Risk | Loss of key management positions may result in disruption of on-going operations and/or loss of shareholder's confidence, leading to the falling of share price. | Strategic |
| OP005 | Social Media Risk | Widespread negative perception of Vinamilk as a result of inadequate or mis-management of information on print and social media platform. | Operational |
| OP008 | Supply Chain Risk | Unavailability and /or shortage of supply of raw materials that may affect the ability of on-going operations and increase product costs. | Operational |
| OP009 | Risk of Product Contamination | The products are contaminated with bacteria and do not meet the quality safety standards. | Operational |
| OP013 | Risk of IT Security Breach | Security breaches of business and customer data through cyber-attacks by hackers and sophisticated organizations. | Operational |
| OP019 | Country Risk | Risk of unexpected or sudden unfavourable changes in the regulatory and political environment in the invested countries, possibly obstructing operations or business decision-making. | Operational |
| OP020 | Strategy/Business Plan Execution Risk | Failure to execute business strategies developed, agreed and approved at Board level. | Operational |
| CO004 | Fraud and Corruption Risk | Loss arising from a staff member, members or third party acting in an inappropriate or dishonest manner for personal gain resulting in a financial loss to Vinamilk and consequential damages to its reputation. | Compliance |

RISK MANAGEMENT PLAN IN 2014

Risk management is always one of the important fields among the business operation and corporate governance of Vinamilk. The Company will continue improving the ERM system in the coming years, consolidating Tactical stage and proceeding to Strategic stage. Detailed plan of 2014 is defined on three respects as follow:



People:

- Determining Risk Coordinators who have a lot of skills and Subject Matter Experts who have knowledge of each top risk; continuously training and updating risk management knowledge for human resource in the structure.
- Concurrently, enhancing participation and sharing of information with organizations/associations about corporate governance/risk management and professional seminars in home and abroad.

Process:

- Improving integration of risk management into existing controls, especially the controls of Vinamilk' top risks.
- Applying new techniques in control self-assessment and risk assessment, and implementing the report process of new risk assessment mode.
- Communicating and consulting risk management continuously, timely, and effectively through the forms of sharing information, performing periodic risk program and publishing to the Company's staff.
- Setting up and developing Key Risk Indicators (KRIs) for the risks in list of top risks in relation to Key Performance Indicators (KPIs).

System:

- Maintaining "Forward-Looking" trend of risk management and support tools.
- Researching and assessing the necessity and suitability of tools and automatic software to upgrade risk management activities.

During the implementation progress, Vinamilk will continue coordinating with KPMG experts to perform new and complicated tasks in order to meet the risk management standards and the advanced practices.



REPORT ON BUSINESS PERFORMANCE OF THE BOARD OF EXECUTIVE DIRECTORS _____



TOTAL REVENUE

31,586 VND BILLION AN INCREASE OF 17% COMPARED TO 2012

In general, although the market conditions are still very difficult, Vinamilk has achieved an impressive growth and fulfilled all the targets as set forth in the beginning the year. Profit before tax and profit after tax growing faster than the total sales was the result of strictly expense control and increase in effectiveness of sales and marketing campaigns.

ASSESSMENT OF BUSINESS RESULTS

The events in 2013 are not out of the expectation of the Board of Executive Directors. The economy was still in many difficulties. Gross Domestic Product (GDP) and Consumer Price Index (CPI) in 2013 increased by 5.42% and 6.04% respectively as compared to those in 2012. Particularly, purchasing power of consumer goods sector decreased: total retail goods and consumer services of 2013 increased by 12.6% compared to 2012. If excluding price factor, this rate is only 5.6%. In addition, the competition in the market was increasingly stronger, leading to increase in marketing and sales costs. Vinamilk also suffered effects from that situation. This was also the reason why the Company's total sales volumes only increased by 17%, 3% lower than the set target. However, profit after tax exceeded the set plan by 5% thanks to effective cost control. This result was appreciated by the Board of Executive Directors. That was the non-stopping efforts of the whole Company along with the confidence and support from the customers, which are increasingly risen.

FINANCIAL POSITION

The Company's cash and cash equivalents (including under-1-year bank deposit) was very large, VND 6,345 billion, increasing by over 50% as compared to that in the same period of 2012. Net cash flow increased mainly from operating profit.



Key financial ratios:

| 4.7 | | |
|-------|--|---|
| 4.7 | | |
| 4./ | 4.3 | (0.4) |
| 2.7 | 2.6 | (0.1) |
| 1.8 | 2.0 | 0.1 |
| | | |
| 21% | 23% | |
| 27% | 30% | |
| | | |
| 5.2 | 5.9 | 0.7 |
| 12.0 | 12.4 | 0.4 |
| 2.6 | 2.6 | (0.0) |
| 1.5 | 1.5 | (0.1) |
| | | |
| 21.9% | 21.1% | (0.8%) |
| 33.0% | 30.7% | (2.3%) |
| 41.6% | 39.6% | (2.1%) |
| | 1.8 21% 27% 5.2 12.0 2.6 1.5 21.9% 33.0% | 2.7 2.6 1.8 2.0 21% 23% 27% 30% 5.2 5.9 12.0 12.4 2.6 2.6 1.5 1.5 21.9% 21.1% 33.0% 30.7% |

In general, the Company's financial position has continued to be maintained healthy although there was a slight drop in the financial ratios due to the slow growth of sales and profit.

Management of accounts receivable:

Accounts receivable are managed automatically in the system. The accounts receivable increased by 21.5% mainly due to the increase in sales. In which, the accounts secured by bank guarantee form were totally VND 898 billion, occupied over 33% of total accounts receivable.

Accounts receivable have been well-managed for the past years. Most customers paid on schedule, only approximately 7% overdue within 30 days.

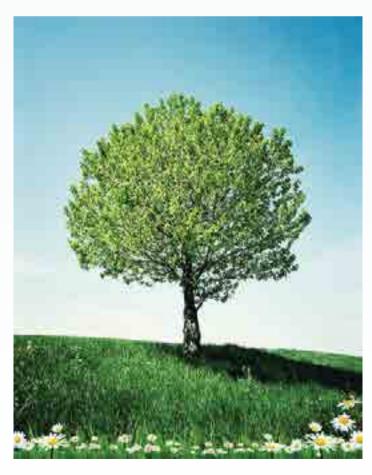
Management of accounts payable:

Accounts payable are also managed automatically in IT system in order to control it strictly. The accounts payable in foreign currencies are periodically evaluated in according to Vietnamese accounting system and are specifically reflected in term of financial risks related to exchange rate. Please refer to notes of financial statements as set out in pages 185-186.

STATUS OF CAPITAL EXPENDITURE PROJECTS

Disbursement situation of the projects during the year is as follows:

| | Budget 2013 | Actual 2013 | % Budget |
|---------------------------------|-------------|-------------|----------|
| Vietnam Dairy Factory | 687 | 495 | 72% |
| Dielac II Powdered Milk Factory | 400 | 183 | 46% |
| Tien Son Dairy Factory | 150 | 61 | 41% |
| Lam Son Milk | 300 | 100 | 33% |
| Ha Tinh Dairy Farm | 151 | 5 | 3% |
| Other projects | 910 | 595 | 65% |
| | 2,599 | 1,440 | 55.4% |



Although the disbursement progress was only 55.4% due to adjusting projects to be suitable to the Company's business operation, Vinamilk has focused on key projects to ensure construction schedule and quality. Accordingly, Powdered Milk Factory and Liquid Milk Factory in Binh Duong Province were completed and put into operations. The budget not yet fulfilled in the current year will be transferred for disbursement in 2014.

DETAILED STATUS OF THE 02 KEY PROJECTS

[i]. Vietnam powder milk factory:

This is the second powdered milk factory of Vinamilk. The construction was started on October 1st 2011 on its location of 6 hectares in Vietnam - Singapore Industrial Park I, Binh Duong province. The factory is equipped with technology of machinery and equipment from Europe which meet international standards. The driers are the key equipment technology and are considered the heart of the factory. The factory has two dryers of which capacity is the biggest in Asia with diameter of 13.6 meters and height of 32 meters of each drier.

On April 24th 2013, the factory was inaugurated in a ceremony with over 400 guests coming from government bodies, centrally and locally governed organs, Vietnam Standard and Consumer Associate, press agencies and television broadcasters, suppliers, and Vinamilk's shareholders.

Some pictures of the factory:





Prime Minister — Mr. Nguyen Tan Dung and Vinamilk's Chairwoman cum CEO — Ms. Mai Kieu Lien were signing on the first powdered milk tins produced by the factory and this first powered milk batch including 10,000 cans of milk were then sent to the Vietnam Children Support Fund.





[ii]. Vietnam Dairy Factory:

The construction was started on September 1st 2011 on its location of 20 hectares in My Phuoc 3 Industrial Park, Binh Duong province. This is the most modern liquid milk factory in the word up to now.

With the total investment capital of VND 2,400 billion, the factory has a super massive capacity of over 400 million litters of milk per year in the 1st stage and up to 800 million litters of milk per year in the 2nd stage. This is also the most modern factory in the world with integration and automation technology that was constructed by Tetra Pak.

Tetra Pak is the world's leading group, headquartered in Sweden, specializing in providing the food processing and packaging solutions. The group expands its operations in 170 countries and has 50 factories for manufacturing packages and equipment.

The factory applies the world's leading automation and integration technology, completely automatic from input materials to output products.

LGV robot system is fully automated, which is controlled by a central computer system in charge of moving sterilized paper roll into filling machines and then automatically delivering finished products to intelligent warehouse. Thanks to that, the quality is controlled and production efficiency is remained at the highest level.

All the stages from design and construction of the factory to installation of machinery, equipment, and



Attending the opening ceremony were Deputy Prime Minister — Mr. Hoang Trung Hai, provincial Communist Party leadership, People's Committees of Binh Duong, Ba Ria — Vung Tau, Thanh Hoa, and Dong Nai provinces and Ho Chi Minh City, and leadership of ministries, departments, divisions, centrally and locally governed organs.



Production and package area of packed milk and automatic system transferring finished goods from production area to intelligent warehouse.



LGV robot system.



production lines are in accordance with national and international standards on food safety and environmental hygiene. Vietnam Liquid Milk Factory operates on a closed automatic production line from input materials to output products.

The factory is equipped with advanced centrifugal technology for bacterium separation, where bacteria in raw milk are eliminated at the most rate. UHT technology at the later stage helps destroy the remained harmful bacteria in the milk.

Moreover, the factory's "intelligent warehouse" system is the first and biggest in Vietnam. The warehouse has area of 6 hectares with 20 dispatching and receiving lanes, has length of 105 m and 35 m high, and contains 17 floors of shelves with capacity of 27,168 lots for storage.



PRODUCT RESEARCH AND DEVELOPMENT (R&D)

"The Milestones of 2013"

In 2013, Vinamilk continued orienting to become a pioneer in the foodstuff industry in general and in the dairy and beverage industry in particular. Aiming towards that goal, Vinamilk's product research and development team has increasingly studied and improved in research and production, updated the latest technology and the food safety and hygiene, learned about the market, handled the regional situation, surveyed the customer needs, etc. to look for opportunities and suitable ideals for product development.

During the year, with breakthrough in creation and thorough understanding of customers, Vinamilk successfully produced and launched a range of new products for health care, beauty care, and daily nutrition care serving all of target consumers (i.e. children, adults, and elders), including Optimum Step 4 formulated milk for children aged from 4-6 years, Optimum Mama powdered milk for pregnant and breast-feeding women, fruit juices which are fortified with fibre and vitamins for children, sugar-free Lingzhi drink and beverage from Lingzhi extract which are very good for health, and soy milk which is fortified with Calcium and Vitamin D. Vinamilk continued developing Probi yoghurt product line with beneficiary bacteria and new flavours of Strawberry and Melon, and a kind of beverage from Apple juice mixed with Aloe Vera pieces. Vinamilk also studied successfully fresh milk for immune support. Vinamilk had a breakthrough and was successful in manufacturing soaked Apricot drink that can preserve the Vietnamese traditional taste of soaked Apricot.

Using herbal products from nature sources is the trend of consumers nowadays. Respecting and understanding this demand, Vinamilk has developed a kind of drink from Lingzhi in combination with Honey. The product is the quintessence of nature to bring the users health and convenience.





Standing out from the products that were launched in the market in 2013 is Optimum Step 4 for children aged from 4-6 years. The product fortified with FOS solute fibre and beneficial bacteria for the intestine is very good for digestive health. Serving 3 glasses of milk together with the daily meals, Dielac Optimum Step 4 provides enough DHA (150-200 mg DHA + EPA/day) as recommended by FAO and WHO.

Besides, Optimum mama powdered milk is a premium product for pregnant and breast-feeding women. The product is fortified with beneficial bacteria and fibre along with some nutrients to help improve resistance and immune system of mothers, and thus, preventing sickness for the mothers during pregnancy.



Lingzhi has been known as panacea for over the thousands of years. According to the popular experience, Lingzhi is used in treatment for neurasthenia, dizziness, insomnia, high blood pressure, high cholesterol, etc. Some recent scientific studies also show that Lingzhi is very useful for detoxification and free-radical reduction – one of the causes of cancer.

Trend of using herbal products from nature sources is the first choice of consumer at present. Respecting and understanding this demand, Vinamilk has developed a kind of drink from Lingzhi in combination with Honey. This is the quintessence of nature to offer health and convenience for all users.

Community healthcare, especially healthcare for children, is one of the duties that Vinamilk is always interested in and aims towards. We deeply understand the troubles of every mother about their children's health at school or in recreation as well as their need on a product not only safe but also nutritious for health.

Combining the consumer demands with the creative ideas, Vinamilk has been successful in researching and

launching three categories of fruit nectar including Orange, Strawberry and Vegetable (mixing 13 kinds of fruit and vegetables) which are fortified with vitamins A, C, and D3 for the children's comprehensive development.

Thinking out of the availability in the past and present, Vinamilk has studied successfully a fresh milk product for immune improvement. The new formula with Vitamin D, A, and C and some nutrients to be fortified will help strengthen immune system as well as increase resistance, and thereof helping increase the living values.

With profound knowledge and available experience, in cooperation with the strong strategic partners all over the world, and the "kind hearts" of the Company's employees, Vinamilk is believed to go on its steady steps in the future to continue innovating and improving in order to provide the best quality products, ensuring the highest safety for consumers' health and meeting the reliability and expectation from domestic and foreign customers.

INCREASINGLY IMPROVING DAIRY COW QUALITY

In 2013, two dairy farms of Vinamilk in Tuyen Quang Province and Nghe An Province received certificate ISO 9001:2008 from Bureau Veritas (France). Thanks to this achievement, Vinamilk's dairy farms have become the pioneers in dairy cow breeding industry in Vietnam that successfully apply the quality control system in accordance with ISO 9001:2008.



Source of raw material is one of the important issues of the big dairy factories like Vinamilk. For the purpose of increasing local source of raw material from current rate of 30% up to 40%, Vinamilk has made big investments in dairy cow development in all respects from planting grass, building breeding facilities, and preparing meals for cows to preparing veterinary medicine and monitoring surrounding environment. From 2007 up to now, Vinamilk has invested an approximately amount of VND 800 billion to construct 5 big cow farms with about 8,000 cows. All of them were imported from Australia and provide 90 tons of milk per day. The Company has also associated with more than 5,000 households who are breeding more than 65,000 cows across the country to be supplied 460 tons of milk per day.

Breeding facilities are equipped with the world's most modern technology such as roof system with temperature-resistant technology using cold steel sheets and heat insulation layer, automatic manure raking system, automatic drinking system and cooling fan system. The resting lots for the cows are covered by rubber mattress made in Sweden to ensure the cow hoots clean and not infected. The barns and resting areas of the cows are equipped with automatic scratcher system. Each cow wears a microchip underneath the neck to be identified through the modern Alpro system supplied by Delaval. The microchip will help check the exact amount of milk provided by each cow and detect the cows in rut or illness so that veterinarians can promptly give treatment.

In 2013, two dairy farms of Vinamilk in Tuyen Quang Province and Nghe An Province received certificate ISO 9001:2008 from Bureau Veritas (France).





Thanks to this achievement, Vinamilk's dairy farms have become the pioneers in dairy cow breeding industry in Vietnam that successfully apply the quality control system in accordance with ISO 9001:2008.



Purchase of raw fresh milk:

The purchased volume in 2013 was 156,562 tons, in which 132,610 tons was from entities/households and 23,952 tons was from Vinamilk's subsidiary (Vietnam Dairy Cow One Member Limited Company).

Upgrading Vinamilk's raw fresh milk collection system in the period 2012 - 2016

Implementing the program of upgrading raw fresh milk collection system in the period 2012 - 2016, Vinamilk had breakthroughs in 2013.

From April 1st 2013, Vinamilk did not renew contracts with milking households. Accordingly, from April 1st 2013 onwards, all households directly will breed cows and supply milk for Vinamilk. This not only helps to reinforce the relationship between the farmers and the enterprise but also enhance the farmers' awareness about their responsibilities in breeding, exploiting and preserving milk. The number of contracts signed with households increased from 4,750 in 2012 up to 5,087 in 2013.

156,562 TONS PURCHASED VOLUME OF FRESH MILK IN 2013

Also from April 1st 2013, the households were requested to use aluminium/stainless steel cans meeting standards to contain milk instead of plastic cans previously. This is an important step to improve the quality of raw milk.

Changing and improving the appearance of fresh milk collection stations is another success of Vinamilk in its first year implementing the program of upgrading material purchase system in the period 2012-2016. In 2013, Vinamilk coordinated with suppliers and collection stations to upgrade successfully 18 collection stations. The collection stations after being upgraded completely used stainless steel pipes 304/316, standardized cooling tanks, and had a closed equipment sanitation process using chemicals and hot water, etc.

To ensure compliance and ensure safety of raw milk sources, Vinamilk completed installing CCTV for 56/56 collection stations in HCMC, Tien Giang, Long An, and Tay Ninh in 2013.



Improving raw fresh milk quality

Aiming towards the fairness and strictly control in development of fresh milk zones, in 2013, Vinamilk included non-fat dry material (instead of total dry material before) into milk price calculation factors for the farmers. We have also applied Resazurin method to test micro-organisms in milk. With this new method, the farmers just take 10 minutes at collection stations to directly read the micro-organism test result in the milk. This helps demonstrate Vinamilk's transparency in milk purchase.

In addition, Vinamilk has taken many activities to support the cow raisers: Directly giving advices over 4,125 households. As many as over 80% households proved improvement in milk quality after 2 weeks from the consulting day. The Company also conducted 44 technical training meetings nationwide with the attendance of 1,605 households. Moreover, Vinamilk organized many cow hoof trimming practices in HCMC, Can Tho and Long An, which were enthusiastically responded by the households.

Accompanying with the farmers

Sharing the difficulties of cow raisers in Lunar New Year, the Chief Executive Officer of Vinamilk has decided to implement the program "Accumulate points with Vinamilk to greet Spring and Tet holidays". Accordingly, when households meet the specified conditions, with one kilogram of milk delivered to Vinamilk, they will get 01 point. In the year-end, Vinamilk will pay the households VND 300/point. With this support, the farmers supplying raw milk to Vinamilk will have a better and happier Lunar New Year. This amount will be transferred to each household via bank on January 16th 2014.

IMPROVEMENTS ON ORGANISATION STRUCTURE, POLICY AND MANAGEMENT

In 2013, Vinamilk upgraded online sales system nationwide. Each salesperson was equipped with a tablet to improve sales efficiency and help the Company best manage sales activities.

- » Perfected corporate governance in the best compliance with the State's regulations on governance and the advanced practices.
- » Improved corporate governance in all respects: structure of the BOM, organisation and responsibility assignment for committees, and improvement and enhancement the BOM's meeting quality. Please refer to Corporate Governance Report, page 90, for details.
- » Deployed sustainable development activities and completed Sustainable Development Report 2012 with honour award achieved.



Ceremony of signing contract to deploy online sales system.

- » Improved the Company's organisation structure with establishment of Strategy Planning Division and Foreign Branch Management Division in order to increase efficiency in strategy development, implementation supervision, change management, and establishment of system and professionalisation in monitoring Vinamilk's activities in invested markets.
- » Deployed succession planning program in order to build and maintain an inheritor team for key positions to ensure the success of Vinamilk's objectives and strategies.

- » Upgraded the ERP system to improve management and operation efficiency.
- » Completed risk assessment stage and transfer to building the ERM system in accordance with ISO 27001.
- » Deployed online sales system nationwide and monitor sales activities of each staff and each store.



AWARDS AND ACHIEVEMENTS IN 2013

During the year, the Company has achieved several awards and achievements from the local and foreign bodies:

| No. | Name of awards/achievements | Centre of Study, Application and Development for Vietnam Brands under Federation of Science and Technology Associates in Vietnam | | |
|-----|---|--|--|--|
| 1 | Certificate "VINAMILK – ONE OF TOP 10 PRESTIGIOUS VIETNAM BRAND 2014" | | | |
| 2 | Certificate "VIETNAMESE HIGH-QUALITY PRODUCT 2014" voted by consumers | Business Association of High-quality Vietnamese Product and SGTT News (on January 13 th 2014) | | |
| 3 | Merit on innovative and creative applications to promote production and business activities 2014 | Minister of Science and Technology (on February 20 th 2014) | | |
| 4 | One of 500 Vietnamese biggest companies 2012 | VNR 500 (Vietnam Assessment Report JSC) and Vietnamnet | | |
| 5 | Ranked the second in Top 10 Vietnamese biggest private companies | VNR 500 (Vietnam Assessment Report JSC) and Vietnamnet | | |
| 6 | Top 50 Vietnamese best listed companies | Forbes VN | | |
| 7 | One of 10 Vietnamese highest corporate taxpayers 2013 | Vietnam Assessment Report JSC | | |
| 8 | Vietnamese High-quality Product 2013 voted by consumers | Business Association of High-quality Vietnamese Product in HCMC and SGTT News | | |
| 9 | Top Vietnamese Strong Brands | Vietnam Economic Times | | |
| 10 | Top 100 "Sustainable Development Brands" | Organisation Board of Sustainable Development Brand Program | | |
| 11 | Dielac Nutrition Product – Top 100 Trusted Products 2013 | Vietnam Economic Times | | |
| 12 | Green Enterprise – Most Favourite Product 2013 voted by consumers | HCMC People's Committee – SGGP News – Department of Industry and Commerce – Saigoncoop | | |
| 13 | Top 10 Best Annual Report 2013 | Organisation Board for Selection of Annual Report 201 | | |
| 14 | The best Sustainable Development Report 2013 | Organisation Board for Selection of Annual Report 201 | | |
| 15 | Merit – National Action Plan for Vietnamese Children | Ministry of Labour, War Invalids and Social Affairs | | |
| 16 | Merit – Achievement in positive contribution to "For beloved Truong Sa students" campaign | HCMC People's Committee | | |
| 17 | Merit – Excellent achievement in protecting rights of consumers | Vietnam Standards and Consumers Association | | |
| 18 | M&A Strategy Joint Stock Company for breakthrough growth in the period 2009-2013 | M&A Vietnam Forum | | |
| 19 | Merit – Contributions to Education and Training of Vietnam | Minister of Education and Training | | |
| 20 | Merit – A noble heart | Committee of Vietnamese Fatherland Front | | |
| 21 | Merit – Excellent achievements in business operation contributing to the development of Binh Duong Province | Chairman of Binh Duong Province People's Committee | | |





Apart from the noble awards as mentioned in Annual Report 2012, in 2013, Madam Mai Kieu Lien (the Chairwoman and Chief Executive Officer) was honoured the first position in "Top 50 Vietnamese Business Leaders 2013".

INVESTOR RELATIONS _____



Vinamilk is very flexible and active in term of investor relationships and always facilitates the investors to access and update information of the Company.



Some key investor relations activities during the year:

During the year, the Company participated in 03 investment seminars in foreign countries, including an investment seminar in Kuala Lumpur, Malaysia organized by CIMB Group in June 2013 and two seminars in Singapore in August 2013 and September 2013 respectively organized by Daiwa Securities Group and UBS Group. In these seminars, Vinamilk met over 58 big and prestigious institutional investors in the region and the world. Some investors then became Vinamilk's shareholders.

On April 26th 2013, Vinamilk held Annual General Meeting of Shareholders to approve the results of 2012, the plan for 2013 and other important information of the Company. After the meeting, Vinamilk held a

visit to Vietnam Powdered Milk Factory for over 250 shareholders of the Company. This is one of the most modern powdered milk factories in the world which is invested by Vinamilk. The factory was inaugurated in Binh Duong Province on April 22nd 2013.

On the occasion of opening Vietnam Liquid Milk Factory on September 10th 2013, Vinamilk also organized a visit to this factory for over 80 investors and shareholders. This is the world's most modern liquid milk invested by Vinamilk in Vietnam. The factory's capacity is 400 million litters per year.

Besides, Vinamilk has also welcomed over 256 investors to visit our head office and factories in order to learn about Vinamilk and look for opportunities to invest in our Company.





In regard of disclosure of information, the Company's financial and non-financial information are disclosed adequately and timely on our website at http://www.vinamilk.com.vn/?vnm=share

Vinamilk's investor relations function is very flexible and to create the most favourable conditions for the investors to get update on the Company's operations through:

- 1. Attending the Annual General Meeting of Shareholders
- 2. Visiting our head office directly.
- 3. Investor relation personnel can discuss with investors through telephone, teleconference

CUỘC BÌNH CHỌN BÁO CÁO THƯỜNG NIÊN 2013

- 4. Responding to investors' gueries via email
- 5. Responding to investors' queries through Q&A on our website at http://www.vinamilk.com. vn/?vnm=FAQ
- 6. Investor relation personnel can attend investment seminars organized by securities companies, institutional funds.

With non-stopping effort in improving the transparency and provision of information adequately and timely to shareholders and potential investors, Vinamilk has been improving the quality of annual report and ranked the 5th position in Top 10 best annual reports 2013 as disclosed by the organisation board for selection of Annual Report 2013 on July 25th 2013. This is the 6th consecutive year that Vinamilk

Annual Report was honoured one of the best annual report every year.

Particularly, 2013 was the first year Vinamilk published Sustainable Development Report and obtained the first prize. This is an optional report to offer further information about the Company's sustainable development strategy.

EACH PRODUCT IS A

COMMITMENT FOR FUTURE

Each product under Vinamilk brand is the result of a closed safe and efficient process from material source, purchase, process, package and distribution to the market. With a variety of products, Vinamilk has been fully meeting the different demands on nutrition and bringing the best value to consumers.





SUSTAINABLE DEVELOPMENT REPORT





In business operations, every enterprise is deeply aware that, in order to have a sustainable development as well as preserve prestige in the market, apart from well implementing proper business operation strategies, the respect to business ethics and the actions to bring sustainable values to the society and the community play a very important role.



Sustainable Development Report refers to 05 key issues: Product, Environment, Economic Development, Working Environment, and Social Activities. Below are some typical contents:

VINAMILK – BRAND ATTACHED TO THE COMMUNITY

Not only taking interest in our business operations, Vinamilk always pay our special attention to social activities.

The Scholarship Fund "Vinamilk – Nurturing Vietnamese young talent" was initiated by Vinamilk, under approval of the Ministry of Education and Training from the school year 2002 – 2003. Until 2013, the program has spent a decade. From only 30 provinces and cities in the first days until covering 63 provinces and cities at present, the Fund has totally given more than 34 thousand scholarships to elementary school pupils across the country, have excellent results and desire for overcoming difficulties in their study.

Considering ethics the foundation for business and giving full attention to make contribution on education development, Vinamilk has been always accompanying with the Ministry of Education and Training to nurture the trust for tens of thousands of Vietnamese elementary school pupils during the past 10 years. The "Vinamilk - Nurturing Vietnamese young talent" Fund is proud to have been nurturing and will nurture more and more young talents for a more prosperous Vietnam in the future. Ms. Mai Kieu

Lien - Chairman of the Board and Chief Executive Officer of Vinamilk said, "In business operations, every enterprise is deeply aware that in order to have a sustainable development as well as keep prestige in the market, apart from well implementing proper business operation strategies, having a respect for business ethics and taking actions to bring sustainable values to the society and community are very important. That was the reason why Vinamilk has actively coordinated with the Ministry of Education and Training to implement the "Vinamilk - Nurturing Vietnamese young talent" fund from the school year 2003 - 2004 to present. Although 10-years is only a short time in the journey of growing people of Vietnam, this is the memorable and meaningful time for Vinamilk in general and for me in particular. From 30 provinces and cities in the first time, the scholarship fund has expanded operations to all 63 provinces and cities across the country along with many other meaningful activities so far. In addition to "Vietnam Never Stops Growing" Milk Fund and "One million green trees for Vietnam" Fund, which have been implemented by Vinamilk during the last time, we hope to continue accompanying the other individuals and organisations to build a more prosperous Vietnam".



With achievements of business operations in 2013 together with humanistic and meaningful programs for society and community, Vinamilk are taking the steady steps not only to help maintain its position of a leading dairy company in Vietnam but also to make Vinamilk closer to its ambition to become one of the world's top 50 dairy companies in the near future.

In December 2013, the "Vietnam Never Stops Growing" Milk Fund held the last milk gifting ceremony of 2013, marking its successful 5-year journey. More than 33 thousand glasses of milk were given to needy kids in Dong Luong Commune, Cam Khe District among the total number of more than 42 thousand cups of milk for children in Phu Tho Province from the program.

The "Vietnam Never Stops Growing" Milk Fund was found in 2008 by Vietnam Children Support Fund under Ministry of Labour, War Invalids and Social Welfare in collaboration with Vinamilk to support the children in difficult circumstances through an action that seems to be simple but very practical – directly giving nutritious milk to the needy children to offer them more comprehensive development in both physics and intelligence to have a brighter future.



During the past 5 years, under the Ministry of Labour, War Invalids and Social Welfare, with the support of Vinamilk, the consensus of the relevant departments, and the spiritual and material support from millions of consumers nationwide, the "Vietnam Never Stops Growing" Milk Fund and goodwill ambassadors have come to many regions in the country to shine hope fires for the children there and give them the sweet milk to bring them happy smiles and cheerful moments in their life, which is very difficult by itself.

In 2013, although the economy was still very difficult, the "Vietnam Never Stops Growing" Milk Fund continued implementing its mission, giving milk to the children in difficult circumstance with the total value of VND 6 billion. Until now, more than 286 thousand needy children in Vietnam have enjoyed over 20 million glasses of milk, for the total value of VND 75 billion, given by the Milk Fund. All this quantity of milk will be directly transferred to the centres for orphans and disable children and the social protection centres in 58 provinces and cities across the country by the Vietnam Children Support Fund and Vinamilk so that the kids can use continuously liquid milk within 3 months and powdered milk within 2 months.



Vinamilk is the major sponsor of "Vietnam – Never Stops Growing" program from the first day until now. Ms. Bui Thi Huong - Director of Public Relations said, "Children in many provinces of Vietnam still face many difficulties in their life. Although the physical conditions are quite poor, they still overcome the difficulties. They should be concerned about by the society. Therefore, through the "Vietnam Never Stops Growing" Milk Fund, with our high awareness on responsibilities to the community, Vinamilk desires to partly improve nutrition for children. Vinamilk thereby shows commitment to the Vietnamese generations, especially Vietnamese children with the desire that "All Vietnamese children drink milk every day", facilitating to best bring into play the potentials of Vietnamese

children in both physics and intelligence, for a never-stop-growing Vietnam".

The "One million green trees for Vietnam" fund is established by the Vietnam Environment Administration (VEA) and Vfresh, a brand name of Vietnam Dairy Products Joint Stock Company (Vinamilk), starting from 2012. By 2013, the "One

million green trees for Vietnam" fund has planted nearly 87,000 (eighty seven thousand) trees in the areas where trees are really needed to protect environment and surrounding residents such as highways, provincial highways, mangrove forest, sea encroachment areas, fishing ports, resettlement areas, memorial parks, pagodas and schools, Da Lat University in Lam Dong, etc. The "One million green trees for Vietnam" fund has continued and will continue planting more and more green trees to create a colour of hope in a future of the whole society when all provinces and cities nationwide are greened in a new look.

In the difficult economic situation, in response to the call from the Committee of Vietnam Fatherland Front for

supporting the compatriots in North Central provinces, who were affected by Storm no.10 in October 2013, Vinamilk also spent VND 1.3 billion (in cash) to pay visits and directly give gifts to the people who suffered from consequences of Storm no.10 in Quang Tri, Quang Binh, Nghe An, and Thanh Hoa provinces.

In addition, in 2013, Vinamilk financed VND 500 million to the Poor Patient Support Funs to conduct heart surgeries for children with defective hearts. This meaningful activity has been maintained for over 10 years, and Vinamilk has totally supported more than VND 2.7 billion for children's heart surgeries so far. Vinamilk has also granted scholarships up to VND 180 million to Ben Tre's students in the school year



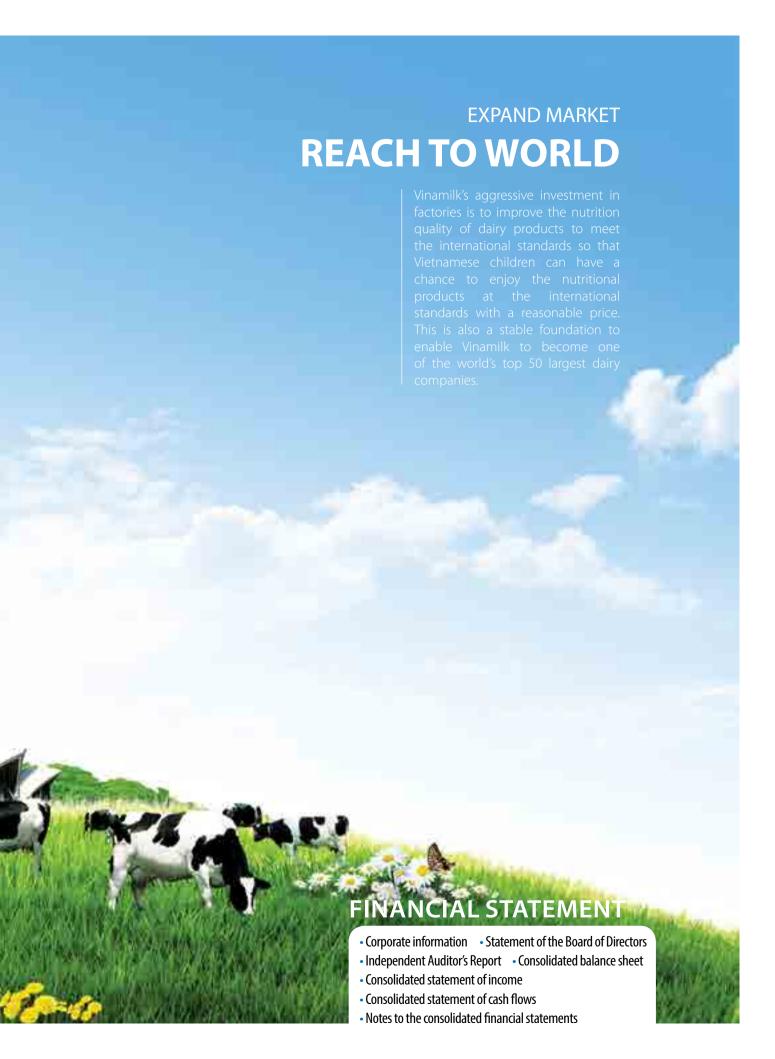
2012-2013 as well as has nurtured many Heroic Vietnamese Mothers in Quang Nam, Ben Tre, etc.

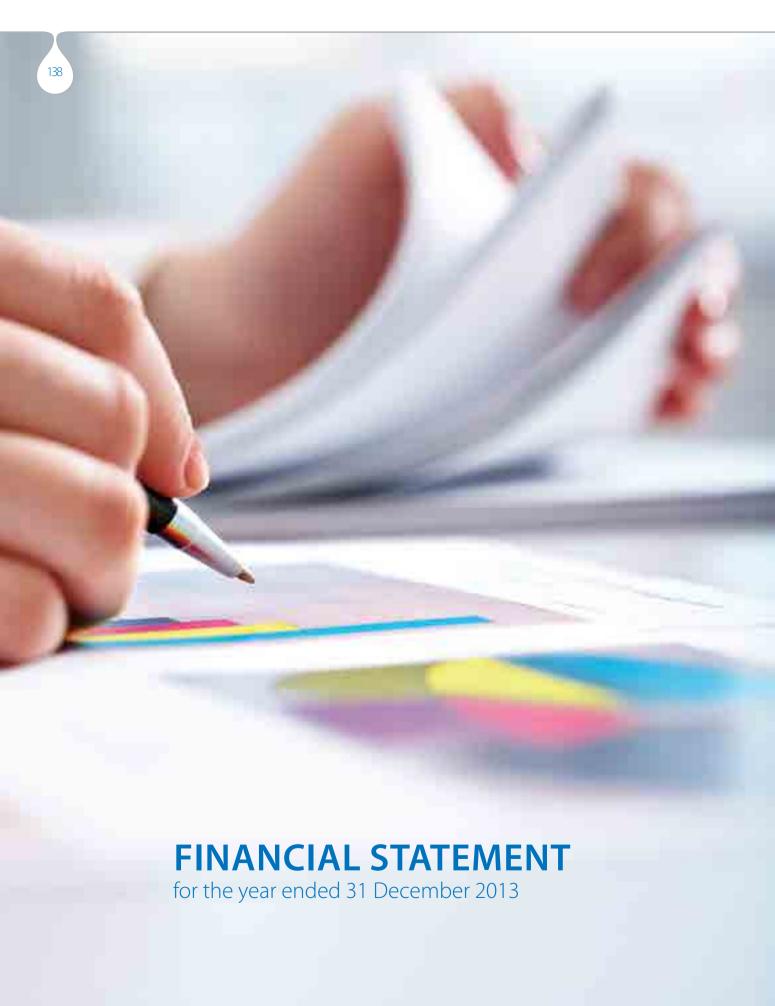
Vinamilk also established health and nutrition consulting centres across the country to annually examine thousands of primary school and malnourished children and provide them with free milk.

With achievements of business operations in 2013 together with humanistic and meaningful programs for society and community, Vinamilk are taking the steady steps not only to help maintain its position of a leading dairy company in Vietnam but also to make Vinamilk closer to its ambition to become one of the world's top 50 dairy companies in the near future.









CORPORATE INFORMATION

Business Registration Certificate No.

4103001932 20 November 2003

0300588569 29 May 2013

The Company's business registration certificate has been amended several times, the most recent of which is by business registration certificate No. 0300588569. The business registration certification was issued by Ho Chi Minh City Planning and Investment

Department dated 29 May 2013.

Members' Council Mdm Mai Kieu Lien Chairwoman

Mr Le Song Lai Member

Ms Ngo Thi Thu Trang Member

Mr Pascal De Petrini Member (until 23 May 2013)

Mr Ng Jui Sia Member (from 23 May 2013)

Mr Le Anh Minh Member

Ms Le Thi Bang Tam Member

Mr Ha Van Tham Member

Board of Directors Mdm Mai Kieu Lien Chief Executive Officer

Ms Nguyen Thi Thanh Hoa Executive Director Production and Products Development

Ms Nguyen Thi Nhu Hang Executive Director Dairy Farm Development

Ms Ngo Thi Thu TrangExecutive Director - FinanceMr Tran Minh VanExecutive Director - Project

Mr Nguyen Quoc Khanh Executive Director – Supply chain

Ms Nguyen Huu Ngoc Tran Acting Executive Director – Marketing (until 15 January 2014)

Mr Mai Hoai Anh Executive Director – Sales

Registered Office 10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam

Auditors KPMG Limited Vietnam



STATEMENT OF THE BOARD OF DIRECTORS

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2013 and of the consolidated results of operations and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and which enable these consolidated financial statements to be prepared which complies with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial statements. The Board of Directors 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.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 58 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2013, and of the consolidated results of operations and cash flows for the year ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial statements.

On behalf of the Board of Directors



Mai Kieu Lien

Chief Executive Officer

Ho Chi Minh City, 28 February 2014

INDEPENDENT AUDITORS' REPORT

To: The Shareholders
Vietnam Dairy Products Joint Stock Company

We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2013, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Directors on 28 February 2014, as set out on pages 143 to 190.

Management's Responsibility for the Financial Statements

The Group's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Audit Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Dairy Products Joint Stock Company and its subsidiaries as at 31 December 2013 and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements applicable to financial reporting.

Other matters

The consolidated financial statements of the Group as of and for the year ended 31 December 2012 were audited by another firm of auditors whose report date 28 February 2013 expressed an unqualified opinion on those statements.



INDEPENDENT AUDITORS' REPORT

KPMG Limited's Branch in Ho Chi Minh City Vietnam

Operating Registration Certificate No: 4114000230 Audit Report No: 13-01-237



Chang Hung Chun

Practicing Auditor Registration Certificate No. 0863-2013-007-1 Deputy General Director

Ho Chi Minh City, 28 February 2014



Nguyen Thanh Nghi

Practicing Auditor Registration Certificate No. 0304-2013-007-1

CONSOLIDATED BALANCE SHEET

as at 31 December 2013 Form B 01 – DN/HN

| Cash and cash equivalents 110 6 2,745,645,325,950 1,252,120,160,800 Cash 111 1,394,534,283,673 852,120,160,800 Cash equivalents 112 1,351,111,042,277 400,000,000,000 Short-term investments 120 7 4,167,317,622,318 3,909,275,954,492 Short-term investments 121 4,313,292,575,718 4,039,304,630,112 Allowance for diminution in the value of short-term investments 129 (145,974,953,400) (130,028,675,620 Accounts receivable 130 2,728,421,414,532 2,246,362,984,00 Accounts receivable – trade 131 1,894,721,027,784 1,269,841,759,011 Prepayments to suppliers 132 423,820,755,014 576,619,643 403,754,490,611 Other receivables 135 8 417,266,719,643 403,754,490,611 Allowance for doubtful debts 139 37(b) (7,387,087,909) (3,855,258,386 Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,859,954,432 3,476,300,517,9 | | Code | Note | 31/12/2013 VND | 31/12/2012 VND |
|--|--|------|-------|---------------------|---------------------|
| Cash and cash equivalents 110 6 2,745,645,325,950 1,252,120,160,800 Cash 111 1,394,534,283,673 852,120,160,800 Cash equivalents 112 1,351,111,042,2277 400,000,000,000 Short-term investments 120 7 4,167,317,622,318 3,909,275,954,492 Short-term investments 121 4,313,292,575,718 4,039,304,630,112 Allowance for diminution in the value of short-term investments 129 (145,974,953,400) (130,028,675,620 Accounts receivable 130 2,728,421,414,532 2,246,362,984,00 Accounts receivable – trade 131 1,894,721,027,784 1,269,841,759,01 Prepayments to suppliers 132 423,820,755,014 576,613,312,60 Other receivables 135 8 417,266,719,643 403,754,490,613 Allowance for doubtful debts 139 37(b) (7,387,087,909) (3,855,828,866 Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,895,954,432 3,476,300,517,90 | ASSETS | | | | |
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| Cash equivalents 112 1,351,111,042,277 400,000,000,000 Short-term investments 120 7 4,167,317,622,318 3,909,275,954,492 Short-term investments 121 4,313,292,575,718 4,039,304,630,112 Allowance for diminution in the value of short-term investments 129 (145,974,953,400) (130,028,675,620) Accounts receivable 130 2,728,421,414,532 2,246,362,984,00 Accounts receivable - trade 131 1,894,721,027,784 1,269,841,759,01 Prepayments to suppliers 132 423,820,755,014 576,619,318,266 Other receivables 135 8 417,266,719,643 403,754,490,619 Allowance for doubtful debts 139 37(b) (7,387,087,909) (3,852,583,886 Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,859,954,432 3,476,300,517,90 Allowance for inventories 149 (10,376,905,544) (3,455,165,385 Other current assets 150 160,062,715,750 230,005,737,145 | Cash and cash equivalents | 110 | 6 | 2,745,645,325,950 | 1,252,120,160,804 |
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| Short-term investments | Cash equivalents | 112 | | 1,351,111,042,277 | 400,000,000,000 |
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| investments | Short-term investments | 121 | | 4,313,292,575,718 | 4,039,304,630,112 |
| Accounts receivable – trade 131 1,894,721,027,784 1,269,841,759,013 Prepayments to suppliers 132 423,820,755,014 576,619,318,260 Other receivables 135 8 417,266,719,643 403,754,490,619 Allowance for doubtful debts 139 37(b) (7,387,087,909) (3,852,583,886) Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,859,954,432 3,476,300,517,903 Allowance for inventories 149 (10,376,905,544) (3,455,165,385 Other current assets 150 160,062,715,750 230,005,737,148 Short-term prepayments 151 129,708,362,747 72,343,567,653 Deductible value added tax 152 25,468,115,542 154,118,437,303 Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,419 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | | 129 | | (145,974,953,400) | (130,028,675,620) |
| Prepayments to suppliers 132 423,820,755,014 576,619,318,266 Other receivables 135 8 417,266,719,643 403,754,490,619 Allowance for doubtful debts 139 37(b) (7,387,087,909) (3,852,583,886 Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,859,954,432 3,476,300,517,900 Allowance for inventories 149 (10,376,905,544) (3,455,165,385 Other current assets 150 160,062,715,750 230,005,737,148 Short-term prepayments 151 129,708,362,747 72,343,567,655 Deductible value added tax 152 25,468,115,542 154,118,437,301 Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,415 Accounts receivable – long-term 210 736,666,6667 Tixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 <t< td=""><td>Accounts receivable</td><td>130</td><td></td><td>2,728,421,414,532</td><td>2,246,362,984,001</td></t<> | Accounts receivable | 130 | | 2,728,421,414,532 | 2,246,362,984,001 |
| Other receivables 135 8 417,266,719,643 403,754,490,613 Allowance for doubtful debts 139 37(b) (7,387,087,090) (3,852,583,886 Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,859,954,432 3,476,300,517,903 Allowance for inventories 149 (10,376,905,544) (3,455,165,385 Other current assets 150 160,062,715,750 230,005,737,145 Short-term prepayments 151 129,708,362,747 72,343,567,655 Deductible value added tax 152 25,468,115,542 154,118,437,30 Other current assets 158 4,886,237,461 3,543,732,19 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,415 Accounts receivable – long-term 210 736,666,667 7 Other long-term receivables 736,666,667 7 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 | Accounts receivable – trade | 131 | | 1,894,721,027,784 | 1,269,841,759,012 |
| Allowance for doubtful debts 139 37(b) (7,387,087,909) (3,852,583,886 Inventories 140 9 3,217,483,048,888 3,472,845,352,518 Inventories 141 3,227,859,954,432 3,476,300,517,903 Allowance for inventories 149 (10,376,905,544) (3,455,165,385 Other current assets 150 160,062,715,750 230,005,737,148 Short-term prepayments 151 129,708,362,747 72,343,567,653 Deductible value added tax 152 25,468,115,542 154,118,437,303 Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,419 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Trixed assets 220 8,918,416,535,379 8,042,300,548,493 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Prepayments to suppliers | 132 | | 423,820,755,014 | 576,619,318,260 |
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| Inventories 141 3,227,859,954,432 3,476,300,517,903 Allowance for inventories 149 (10,376,905,544) (3,455,165,385 Other current assets 150 160,062,715,750 230,005,737,149 Short-term prepayments 151 129,708,362,747 72,343,567,653 Deductible value added tax 152 25,468,115,542 154,118,437,303 Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,413 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,555 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Allowance for doubtful debts | 139 | 37(b) | (7,387,087,909) | (3,852,583,886) |
| Allowance for inventories 149 (10,376,905,544) (3,455,165,385) Other current assets 150 160,062,715,750 230,005,737,149 Short-term prepayments 151 129,708,362,747 72,343,567,659 Deductible value added tax 152 25,468,115,542 154,118,437,300 Other current assets 158 4,886,237,461 3,543,732,199 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,419 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,499 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,609 Cost 222 11,147,267,493,199 6,512,875,316,429 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824) Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Inventories | 140 | 9 | 3,217,483,048,888 | 3,472,845,352,518 |
| Other current assets 150 160,062,715,750 230,005,737,148 Short-term prepayments 151 129,708,362,747 72,343,567,658 Deductible value added tax 152 25,468,115,542 154,118,437,302 Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,418 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,498 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Inventories | 141 | | 3,227,859,954,432 | 3,476,300,517,903 |
| Short-term prepayments 151 129,708,362,747 72,343,567,655 Deductible value added tax 152 25,468,115,542 154,118,437,302 Other current assets 158 4,886,237,461 3,543,732,192 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,415 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628 | Allowance for inventories | 149 | | (10,376,905,544) | (3,455,165,385) |
| Deductible value added tax 152 25,468,115,542 154,118,437,303 Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,413 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Other current assets | 150 | | 160,062,715,750 | 230,005,737,149 |
| Other current assets 158 4,886,237,461 3,543,732,193 Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,415 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Short-term prepayments | 151 | | 129,708,362,747 | 72,343,567,655 |
| Long-term assets (200 = 220 + 240 + 250 + 260 + 269) 200 9,856,483,929,198 8,587,258,231,415 Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Deductible value added tax | 152 | | 25,468,115,542 | 154,118,437,302 |
| Accounts receivable – long-term 210 736,666,667 Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824) Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Other current assets | 158 | | 4,886,237,461 | 3,543,732,192 |
| Other long-term receivables 736,666,667 Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Long-term assets (200 = 220 + 240 + 250 + 260 + 269) | 200 | | 9,856,483,929,198 | 8,587,258,231,415 |
| Fixed assets 220 8,918,416,535,379 8,042,300,548,493 Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,423 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Accounts receivable – long-term | 210 | | 736,666,667 | - |
| Tangible fixed assets 221 10 7,849,058,771,126 4,223,443,459,603 Cost 222 11,147,267,493,199 6,512,875,316,422 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Other long-term receivables | | | 736,666,667 | - |
| Cost 222 11,147,267,493,199 6,512,875,316,427 Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Fixed assets | 220 | | 8,918,416,535,379 | 8,042,300,548,493 |
| Accumulated depreciation 223 (3,298,208,722,073) (2,289,431,856,824 Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Tangible fixed assets | 221 | 10 | 7,849,058,771,126 | 4,223,443,459,603 |
| Intangible fixed assets 227 11 531,485,413,625 253,615,655,556 Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Cost | 222 | | 11,147,267,493,199 | 6,512,875,316,427 |
| Cost 228 690,742,242,273 387,180,023,184 Accumulated amortisation 229 (159,256,828,648) (133,564,367,628) | Accumulated depreciation | 223 | | (3,298,208,722,073) | (2,289,431,856,824) |
| Accumulated amortisation 229 (159,256,828,648) (133,564,367,628 | Intangible fixed assets | 227 | 11 | 531,485,413,625 | 253,615,655,556 |
| | Cost | 228 | | 690,742,242,273 | 387,180,023,184 |
| Construction in progress 230 12 537,872,350,628 3,565,241,433,334 | Accumulated amortisation | 229 | | (159,256,828,648) | (133,564,367,628) |
| | Construction in progress | 230 | 12 | 537,872,350,628 | 3,565,241,433,334 |

CONSOLIDATED BALANCE SHEET

as at 31 December 2013

Form B 01 – DN/HN

| | Code | Note | 31/12/2013 VND | 31/12/2012 VND |
|--|------|------|--------------------|--------------------|
| Investment property | 240 | 13 | 149,445,717,001 | 96,714,389,090 |
| Cost | 241 | | 176,332,062,888 | 117,666,487,460 |
| Accumulated depreciation | 242 | | (26,886,345,887) | (20,952,098,370) |
| Long-term investments | 250 | 14 | 318,308,294,039 | 284,428,762,040 |
| Investments in associates and joint-ventures | 252 | | 284,629,299,345 | 217,944,646,507 |
| Other long-term investments | 258 | | 43,927,626,956 | 80,840,000,000 |
| Allowance for diminution in the value of long-term investments | 259 | | (10,248,632,262) | (14,355,884,467) |
| Other long-term assets | 260 | | 295,112,796,930 | 150,152,345,194 |
| Long-term prepayments | 261 | 15 | 171,151,838,315 | 41,073,978,122 |
| Deferred tax assets | 262 | 16 | 115,300,622,640 | 108,001,947,072 |
| Other long-term assets | 268 | | 8,660,335,975 | 1,076,420,000 |
| Goodwill | 269 | 17 | 174,463,919,182 | 13,662,186,598 |
| TOTAL ASSETS (270 = 100 + 200) | 270 | | 22,875,414,056,636 | 19,697,868,420,379 |
| RESOURCES | | | | |
| LIABILITIES (300 = 310 + 330) | 300 | | 5,307,060,807,329 | 4,204,771,824,521 |
| Current liabilities | 310 | | 4,956,397,594,108 | 4,144,990,303,291 |
| Short-term borrowings | 311 | 18 | 178,943,692,147 | - |
| Accounts payable – trade | 312 | | 1,968,257,136,188 | 2,247,659,149,802 |
| Advances from customers | 313 | | 20,929,404,542 | 21,589,364,414 |
| Taxes payable to State Treasury | 314 | 19 | 456,725,904,986 | 333,952,869,847 |
| Payables to employees | 315 | | 137,540,107,294 | 106,150,509,860 |
| Accrued expenses | 316 | 20 | 490,760,970,004 | 365,103,636,850 |
| Other payables | 319 | 21 | 1,341,762,807,045 | 664,137,048,409 |
| Bonus and welfare fund | 323 | | 361,477,571,902 | 406,397,724,109 |
| Long-term liabilities | 330 | | 350,663,213,221 | 59,781,521,230 |
| Other long-term liabilities | 333 | | 5,036,159,560 | - |
| Long-term borrowings | 334 | 22 | 184,142,784,403 | - |
| Deferred tax liabilities | 335 | | 91,065,600,000 | - |
| Provision for severance allowance | 337 | 23 | 69,583,293,250 | 59,635,777,000 |
| Unearned revenue | 338 | | 835,376,008 | 145,744,230 |

CONSOLIDATED BALANCE SHEET

as at 31 December 2013

Form B 01 – DN/HN

| | Code | Note | 31/12/2013 VND | 31/12/2012 VND |
|---|------|------|--------------------|--------------------|
| EQUITY (400 = 410) | 400 | | 17,545,489,315,423 | 15,493,096,595,858 |
| Owners' equity | 410 | 24 | 17,545,489,315,423 | 15,493,096,595,858 |
| Share capital | 411 | 25 | 8,339,557,960,000 | 8,339,557,960,000 |
| Share premium | 412 | | 1,276,994,100,000 | 1,276,994,100,000 |
| Treasury shares | 414 | 25 | (5,068,507,959) | (4,504,115,000) |
| Investment and development fund | 417 | | 950,237,983,612 | 93,889,017,729 |
| Financial reserve | 418 | | 833,955,796,000 | 588,402,022,008 |
| Retained profits | 420 | | 6,149,811,983,770 | 5,198,757,611,121 |
| MINORITY INTEREST | 439 | | 22,863,933,884 | - |
| TOTAL RESOURCES (440 = 300 + 400 + 439) | 440 | | 22,875,414,056,636 | 19,697,868,420,379 |

OFF BALANCE SHEET ITEMS

| | 31/12/2013 | 31/12/2012 |
|---|------------|------------|
| Foreign currencies included in cash and cash equivalents: | | |
| USD | 16,776,618 | 11,737,838 |
| EUR | 21,606 | 49,848 |

28 February 2014

Prepared by:

Approved by:

Le Thanh LiemChief Accountant

Ngo Thi Thu Trang Executive Director - Finance **Mai Kieu Lien** Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2013

Form B 02 – DN/HN

| | Code | Note | 2013 VND | 2012 VND |
|--|------|------|--------------------|--------------------|
| Total revenue | 01 | 27 | 31,586,007,133,622 | 27,101,683,739,278 |
| Less revenue deductions | 02 | 27 | 637,405,006,316 | 540,109,559,314 |
| Net revenue (10 = 01 - 02) | 10 | 27 | 30,948,602,127,306 | 26,561,574,179,964 |
| Cost of sales | 11 | 28 | 19,765,793,680,474 | 17,484,830,247,188 |
| Gross profit (20 = 10 - 11) | 20 | | 11,182,808,446,832 | 9,076,743,932,776 |
| Financial income | 21 | 29 | 507,347,709,516 | 475,238,586,049 |
| Financial expenses | 22 | 30 | 90,790,817,490 | 51,171,129,415 |
| In which: Interest expense | 23 | | 104,027,048 | 3,114,837,973 |
| Selling expenses | 24 | 31 | 3,276,431,628,666 | 2,345,789,341,875 |
| General and administration expenses | 25 | 32 | 611,255,506,250 | 525,197,269,346 |
| Net operating profit $\{30 = 20 + (21 - 22) - (24 + 25)\}$ | 30 | | 7,711,678,203,942 | 6,629,824,778,189 |
| Other income | 31 | 33 | 313,457,899,019 | 350,323,343,748 |
| Other expenses | 32 | 34 | 58,819,862,034 | 63,006,276,113 |

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2013

Form B 02 – DN/HN

| | Code | Note | 2013 VND | 2012 VND |
|---|------|------|-------------------|-------------------|
| Results of other activities(40 = 31 - 32) | 40 | | 254,638,036,985 | 287,317,067,635 |
| Share of profit in associates and jointly controlled entities | 45 | | 43,940,615,792 | 12,526,171,255 |
| Profit before tax $(50 = 30 + 40 + 45)$ | 50 | | 8,010,256,856,719 | 6,929,668,017,079 |
| Income tax expense – current | 51 | 35 | 1,483,448,216,660 | 1,137,571,835,560 |
| Income tax benefit – deferred | 52 | 35 | (7,298,675,568) | (27,358,535,564) |
| Net profit after tax (60 = 50 - 51 - 52) | 60 | | 6,534,107,315,627 | 5,819,454,717,083 |
| Attributable to: | | | | |
| Minority interest | 61 | | (26,347,207) | - |
| Equity holders of the Company | 62 | | 6,534,133,662,834 | 5,819,454,717,083 |
| Basic earnings per share | 70 | 36 | 7,839 | 6,981 |

28 February 2014

Prepared by:

Approved by:

- March

Le Thanh LiemChief Accountant

Ngo Thi Thu Trang Executive Director - Finance **Mai Kieu Lien** Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2013 (Indirect method) Form B

Form B 03 – DN/HN

| | Code | Note | 2013 VND | 2012 VND |
|---|------|------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before tax | 01 | | 8,010,256,856,719 | 6,929,668,017,079 |
| Adjustments for | | | | |
| Depreciation and amortisation | 02 | | 786,432,923,150 | 535,451,905,298 |
| Allowances and provisions | 03 | | 33,285,887,136 | (75,028,609,419) |
| Unrealised foreign exchange losses | 04 | | 13,064,625,014 | 23,750,178,315 |
| Losses on disposals of fixed assets | 05 | | 10,670,289,649 | 20,674,462,045 |
| Dividends and interest income | 05 | | (417,488,105,102) | (362,908,428,453) |
| (Profit)/losses from other investing activities | 05 | | (34,454,114,103) | 12,177,054,066 |
| Interest expense | 06 | | 104,027,048 | 3,114,837,973 |
| Operating profit before changes in working capital | 08 | | 8,401,872,389,511 | 7,086,899,416,904 |
| Change in receivables | 09 | | (38,409,421,579) | (177,763,748,924) |
| Change in inventories | 10 | | 258,940,210,677 | (273,491,911,774) |
| Change in payables and other liabilities | 11 | | (272,224,654,212) | 268,727,745,184 |
| Change in prepayments | 12 | | (27,641,597,327) | (18,320,018,252) |
| | | | 8,322,536,927,070 | 6,886,051,483,138 |
| Interest paid | 13 | | (104,027,048) | (3,114,837,973) |
| Income tax paid | 14 | | (1,399,982,286,806) | (1,073,341,754,164) |
| Other receipts from operating activities | 15 | | 20,984,913,520 | 3,704,175,480 |
| Other payments for operating activities | 16 | | (691,692,163,285) | (518,731,228,162) |
| Net cash flows from operating activities | 20 | | 6,251,743,363,451 | 5,294,567,838,319 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payments for additions to fixed assets | 21 | | (1,491,459,216,581) | (3,133,999,297,771) |
| Proceeds from disposals of fixed assets and other long-term investments | 22 | | 20,991,389,628 | 16,830,384,644 |
| Loans granted to a third party | 23 | | - | (30,000,000,000) |
| Increase on time deposits | 24 | | (623,100,000,000) | (2,536,900,000,000) |
| Proceeds from sales of debt instruments of other entities | 24 | | 4,531,896,380 | 70,114,387,315 |
| Collection of loans granted to associates | 24 | | 30,000,000,000 | 18,000,0000,000 |
| Payments for investments in other entities | 25 | | (33,713,307,770) | - |
| Proceeds from matured bonds | 26 | | 350,000,000,000 | 250,000,000,000 |

CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December 2013 (Indirect method)

Form B 03 – DN/HN

| | Code | Note | 2013 VND | 2012 VND |
|--|------|------|---------------------|---------------------|
| Collections on investment in other entities | 26 | | 4,927,205,437 | - |
| Receipts of interests and dividends | 27 | | 307,719,066,699 | 372,293,347,387 |
| Acquisition of subsidiary, net of cash acquired | | | (159,686,267,298) | - |
| Net cash flows from investing activities | 30 | | (1,589,789,233,505) | (4,973,661,178,425) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Payments for shares repurchases | 32 | | (525,442,959) | (1,982,321,000) |
| Payments of dividends | 36 | | (3,167,235,049,800) | (2,222,994,056,000) |
| Net cash flows from financing activities | 40 | | (3,167,760,492,759) | (2,224,976,377,000) |
| Net cash flows during the year $(50 = 20 + 30 + 40)$ | 50 | | 1,494,193,637,187 | (1,904,069,717,106) |
| Cash and cash equivalents at the beginning of the year | 60 | | 1,252,120,160,804 | 3,156,515,396,990 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 61 | | (668,472,041) | (325,519,080) |
| Cash and cash equivalents at the end of the year $(70 = 50 + 60 + 61)$ | 70 | 6 | 2,745,645,325,950 | 1,252,120,160,804 |

28 February 2014

Prepared by:

Approved by:

Le Thanh Liem Chief Accountant

Ngo Thi Thu Trang Executive Director - Finance

Mai Kieu Lien Chief Executive Officer

for the year ended 31 December 2013

Form B 09 - DN/HN

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. Reporting Entity

Vietnam Dairy Products Joint Stock Company ("the Company") is incorporated as a joint stock company in Vietnam. The principal activities of the Company are to:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
- Trade in food technology, spare parts, equipment, materials and chemicals;
- Trade in houses, brokerage and leasing of real estate;
- · Provide warehousing, transportation and loading service;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee;
- · Manufacture and sell plastic package and label printing;
- Manufacture and sell plastic products;
- · Provide health care clinic services;
- Provide supporting agricultural operations such as: supply of seeds of cultivated crops, guidance on cultivation techniques, cultivation harvest, soil working, irrigation;
- · Raise cattle: supply of breeding animals and breeding techniques, run agricultural operations;
- · Provide post-harvest services;
- · Treat seeds for multiplication purposes; and
- Manufacture biscuits.

The consolidated financial statements of the Group for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interest in associates and a jointly controlled entity as listed below:

| Subsidiaries | % of ownership | % of voting rights |
|--|----------------|--------------------|
| Vietnam Dairy Cow One Member Limited Company | 100% | 100% |
| Lamson Dairy Products One Member Company Limited | 100% | 100% |
| International Real Estate One Member Limited Company | 100% | 100% |
| Thong Nhat Thanh Hoa Dairy Cow Limited Company | 96.33% | 96.33% |
| Driftwood Dairy Holdings Corporation | 70% | 70% |
| Associates | | |
| Asia Saigon Food Ingredients Joint Stock Company | 15.0% | 15.0% |
| Miraka Limited | 19.3% | 19.3% |
| Jointly controlled entity | | |
| Horizon Apartment – Business Cooperation Contract | 24.5% | 24.5% |

The Company's representative office in Cambodia was established and approved on 5 March 2013. Driftwood Dairy Holdings Corporation is incorporated and operating in the US, other subsidiaries are incorporated and operating in Vietnam.

As at 31 December 2013, the Group had 5,619 employees (31 December 2012: 5,000 employees).

for the year ended 31 December 2013

Form B 09 – DN/HN

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirement applicable to financial statements.

(b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

(c) Annual accounting period

The annual accounting period of the Group is from 1 January to 31 December.

(d) Accounting currency

The consolidated financial statements are prepared and presented in Vietnam Dong ("VND").

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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3. Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

(iv) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(b) Foreign currency

(i) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the period have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the statement of income.

(ii) Foreign operations

The assets and liabilities of the foreign operation are translated into VND rates of exchange ruling at the balance sheet date. The income and expenses of the foreign operation are translated into VND at rates approximating those ruling at the transaction dates.

Foreign currency differences are recognised directly in the foreign exchange differences in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange differences is transferred to profit or loss.

(c) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Short-term and long-term investments

(i) Classification

The Group classifies its investments in shares listed or non-listed, bonds, and investment funds as short-term investments or long-term investments depending on the Group's intention and investment strategy in respect of relevant investees.

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(ii) Recognition

The Group recognises trading securities, short-term and long-term investments on the date it becomes a party to the contractual provisions of the investments (trade date accounting).

(iii) Measurement

Trade, securities, short-term and long-term investments are stated at cost less allowance for diminution in value.

Cost of trading securities, short-term and long-term investments are determined on a weighted average basis.

(iv) Impairment

The allowance for diminution of publicly traded securities is made in accordance with the current regulation as issued by the Ministry of Finance. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(v) Derecognition

Trading securities, short-term and long-term investments are derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership.

(e) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method of accounting for inventories.

(g) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use, and the costs of dismantling and removing the asset and restoring the site on which it is located. Expenditure incurred after tangible fixed assets have been put into operation, such as repair and maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.



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3. Summary of significant accounting policies (continued)

(g) Tangible fixed assets (continued)

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

| » | buildings and structures | 10 – 50 years |
|----------|--------------------------|---------------|
| » | machinery and equipment | 8 – 10 years |
| » | motor vehicles | 10 years |
| » | office equipment | 3 – 8 years |
| » | livestock | 6 years |
| » | others | 3 years |

(h) Intangible fixed assets

(i) Land use rights

Land use rights with definite period are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over the valid term of land use rights certificate.

Land use rights with indefinite period are stated at cost and not amortised.

(ii) Software

Cost of acquiring of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over 6 years.

(iii) Others

Others represented trade mark and customer relationship, which are acquired through business combination and are initially recognised at fair value. Trade mark and customer relationship are amortised on a straight-line basis over 4-10 years.

(i) Investment property

(i) Cost

Investment property is stated at cost less accumulated depreciation. The initial cost of an investment property comprises its purchase price, cost of land use rights and any directly attributable expenditure of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after the investment property has been put into operation, such as repair and maintenance, is charged to the consolidated statement of income in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of the investment property.

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(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. The estimated useful lives are as follows:

» land use rights
 » infrastructure
 » buildings
 49 years
 10 years
 10 – 50 years

Land use rights with indefinite period are not amortised.

(j) Construction in progress

Construction in progress represents the costs of construction which have not been fully completed. No depreciation is provided for construction in progress during the period of construction.

(k) Long-term prepayments

(i) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

(ii) Tools and supplies

Tools and instruments include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND 30 million and therefore not qualified for recognition as fixed assets under Circular 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance which provides guidance on management, use and depreciation of fixed assets ("Circular 45"). Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 1 to 3 years. Other tools and supplies represent the cost of tools used for production and administration processes and are amortised on a straight line basis over two years.

(iii) Others

Others are recorded at cost and amortised on a straight-line basis over 2 years.

(I) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in the consolidated statement of income. Goodwill is amortised on a straight-line basis over 10 years. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(m) Trade and other payables

Trade and other payables are stated at their cost.



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3. Summary of significant accounting policies (continued)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more ("the eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employee's compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment insurance scheme, the Group is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 31 December 2013 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

(o) Classification of financial instruments

Solely for the purpose of providing disclosures about the significance of financial instruments to the Group's financial position and results of operations and the nature and extent of risk arising from financial instruments, the Group classifies its financial instruments as follows:

(i) Financial assets

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

- · It is considered by management as held for trading. A financial asset is considered as held for trading if:
 - it is acquired principally for the purpose of selling it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Group as financial assets at fair value through profit or loss.

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Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as financial assets at fair value through profit or loss;
- those that the Group designates as available-for-sale; and
- those that meet the definition of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- that the Group intends to sell immediately or in the near term, which are classified as held for trading, and those that the entity on initial recognition designates as financial assets at fair value through profit or loss;
- that the Group upon initial recognition designates as available-for-sale; or
- for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or that is not classified as:

- financial assets at fair value through profit or loss;
- held-to-maturity investments; or
- loans and receivables

(ii) Financial liabilities

Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that meets either of the following conditions:

- It is considered by management as held for trading. A financial liability is considered as held for trading if:
 - it is incurred principally for the purpose of repurchasing it in the near term;
 - there is evidence of a recent pattern of short-term profit-taking; or
 - a derivative (except for a derivative that is financial guarantee contract or a designated and effective hedging instrument).
- Upon initial recognition, it is designated by the Group as financial liabilities at fair value through profit or loss.

Financial liabilities carried at amortised cost

Financial liabilities which are not classified as financial liabilities at fair value through profit or loss are classified as financial liabilities carried at amortised costs.



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3. Summary of significant accounting policies (continued)

(o) Classification of financial instruments (continued)

(ii) Financial liabilities (continued)

The above described classification of financial instruments is solely for presentation and disclosure purpose and is not intended to be a description of how the instruments are measured. Accounting policies for measurement of financial instruments are disclosed in other relevant notes.

(p) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Share capital and treasury shares

Ordinary shares in issue are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds.

Where the Group purchase the Group's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the share are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received less any directly attributable incremental transaction costs is included in equity attributable to the Group's equity holders.

(r) Revenue

(i) Goods sold

Revenue from the sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

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(ii) Services rendered

Revenue from services rendered is recognised in the consolidated statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iii) Rental income

Rental income from leased property is recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(s) Financial income

(i) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

(ii) Dividend income

Dividend income is recognised when the right to receive dividend is established.

(iii) Revenue from disposal of short-term and long-term investments

Revenue from disposal of short-term and long-term investments is recognised in the consolidated statement of income when significant risks and rewards of ownership have been transferred to the buyer. Significant risks and rewards of ownership have been transferred upon the completion of trading transaction (for listed securities) or the completion of the agreement on transfer of assets (for non-listed securities).

(t) Operating lease payments

Payments made under operating leases are recognised in the consolidated statement of income on a straightline basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

(u) Dividend distribution

The Group's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Group's Annual General Meeting and after making appropriation to reserve funds in accordance with the Group's Charter.

Dividends are declared and paid based on the estimated earnings of the year. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Group's Annual General Meeting.

(v) Equity funds

Appropriation to equity funds is made in accordance with the Group's Charter as follows:

Investment and development fund Financial reserve

10% of profit after tax up to 5% of profit after tax



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3. Summary of significant accounting policies (continued)

(v) Equity funds (continued)

Appropriation to financial reserve will cease when the amount reaches 10% of the Group's paid in capital. Utilisation of the above reserve funds requires approval of the shareholders, the Board of Directors or the Chief Executive Officer, depending on the nature and magnitude of the transactions involved as stated in the Group's Charter and financial regulations.

(w) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

(x) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments.

(y) Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

4. Segment reporting

Segment information is presented in respect of the Group's geographical and business segment. The primary format, geographical and business segments, is based on the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling, general and administration expenses, other gains or losses, and corporate income tax.

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Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, which is located in Vietnam ("Domestic") or countries other than Vietnam ("Export").

| | Domestic | | Ехр | ort | Total | |
|----------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | 2013 VND | 2012 VND | 2013 VND | 2012 VND | 2013 VND | 2012 VND |
| Net sales | 26,534,661,061,703 | 22,849,151,383,120 | 4,413,941,065,603 | 3,712,422,796,844 | 30,948,602,127,306 | 26,561,574,179,964 |
| Cost of sales | (16,313,347,650,303) | (14,546,267,732,706) | (3,452,446,030,172) | (2,938,562,514,482) | (19,765,793,680,474) | (17,484,830,247,188) |
| Segment income | 10,221,313,411,400 | 8,302,883,650,414 | 961,495,035,431 | 773,860,282,362 | 11,182,808,446,832 | 9,076,743,932,776 |

5. Significant transactions

(i) Acquisition of Driftwood Dairy Holdings Corporation

On 31 December 2013, the Company completed the acquisition of 70% of Driftwood Dairy Holdings Corporation – a milk production factory in USA, for a total consideration of VND 158 billion. Goodwill on acquisition was determined as follows:

| | VND |
|-----------------------------------|-----------------|
| Consideration paid | 157,750,560,000 |
| Share of net liabilities acquired | 9,129,389,640 |
| Goodwill on acquisition (Note 17) | 166,879,949,640 |

Goodwill recognised on the acquisition is attributable mainly to synergies which management expect to realise by integrating Driftwood Dairy Holdings Corporation into the Group's existing business.

(ii) New investment in Thong Nhat Thanh Hoa Dairy Cow Limited Company

On 17 November 2013, the Group invested to a new subsidiary – Thong Nhat Thanh Hoa Dairy Cow Limited Company with voting right 96.33%, for a total consideration of VND 578 billion. As at 31 December 2013, the Company has transferred VND 4.3 billion to contribute the capital for this subsidiary.





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6. Cash and cash equivalents

| | 31/12/2013 VND | 31/12/2012 VND |
|------------------|-------------------|-------------------|
| Cash on hand | 1,290,261,776 | 1,007,244,458 |
| Cash in banks | 1,393,244,021,897 | 850,362,916,346 |
| Cash in transit | - | 750,000,000 |
| Cash equivalents | 1,351,111,042,277 | 400,000,000,000 |
| | 2,745,645,325,950 | 1,252,120,160,804 |

7. Short-term investments

| | | 31/12/2013 VND | 31/12/2012 VND |
|----------|---|-------------------|-------------------|
| Sho | rt-term investments in: | | |
| » | Listed securities | 188,758,772,692 | 211,020,970,112 |
| » | Unlisted securities | 82,533,803,026 | 82,283,660,000 |
| » | Term deposits | 3,600,000,000,000 | 2,974,000,000,000 |
| » | Institution bonds | - | 300,000,000,000 |
| » | Other short-term investments | 442,000,000,000 | 472,000,000,000 |
| | | 4,313,292,575,718 | 4,039,304,630,112 |
| Allo | wance for diminution in value of short-term investments | (145,974,953,400) | (130,028,675,620) |
| | | 4,167,317,622,318 | 3,909,275,954,492 |

Movements in the allowance for diminution in value of short-term investments during the year were as follows:

| | 2013 VND | 2012 VND |
|--|-----------------|-----------------|
| Opening balance | 130,028,675,620 | 79,244,243,600 |
| Increase in allowance during the year | 24,708,724,000 | - |
| Allowance utilised during the year | (1,449,609,300) | - |
| Reclassification from provision for diminution in value of long-term investments | - | 54,008,653,800 |
| Written back | (7,312,836,920) | (3,224,221,780) |
| Closing balance | 145,974,953,400 | 130,028,675,620 |

8. Other receivables

| | 31/12/2013 VND | 31/12/2012 VND |
|---|-------------------|-------------------|
| Shortage of assets awaiting for resolution | 737,900,941 | - |
| Interest income on deposits | 186,194,305,557 | 55,733,508,797 |
| Dividend receivables | 6,280,283,226 | - |
| Interest income receivable on bonds and loans granted to other entities | - | 27,586,763,700 |
| Import tax refundable | 126,227,097,567 | 235,708,097,835 |
| Rebates receivable from suppliers | 80,172,000,489 | 76,841,890,627 |
| Others | 17,655,131,863 | 7,884,229,656 |
| | 417,266,719,643 | 403,754,490,615 |

9. Inventories

| | 31/12/2013 VND | 31/12/2012 VND |
|---------------------------|-------------------|-------------------|
| Goods in transit | 545,709,876,853 | 702,869,203,610 |
| Raw materials | 1,672,882,301,995 | 2,041,420,485,347 |
| Tools and supplies | 8,098,365,017 | 8,332,323,313 |
| Work in progress | 138,430,291,511 | 89,198,796,393 |
| Finished goods | 837,395,279,814 | 591,779,813,093 |
| Merchandise inventories | 24,520,590,546 | 20,857,268,341 |
| Goods on consignment | 823,248,697 | 21,842,627,806 |
| | 3,227,859,954,432 | 3,476,300,517,903 |
| Allowance for inventories | (10,376,905,544) | (3,455,165,385) |
| | 3,217,483,048,888 | 3,472,845,352,518 |

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

| | 2013 VND | 2012 VND |
|---------------------------------------|-----------------|-----------------|
| Opening balance | 3,455,165,385 | 4,933,906,670 |
| Increase in allowance during the year | 12,956,320,720 | 8,686,194,492 |
| Allowance utilised during the year | (1,412,200,625) | (1,688,279,614) |
| Written back | (4,622,379,936) | (8,476,656,163) |
| Closing balance | 10,376,905,544 | 3,455,165,385 |

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10. Tangible fixed assets

| | Buildings and structures | Machinery and equipment | Motor vehicles | |
|---|--------------------------|-------------------------|------------------|--|
| | VND | VND | VND | |
| Cost | | | | |
| Opening balance | 1,187,312,617,245 | 4,404,145,312,663 | 362,119,442,659 | |
| Additions | 21,443,281,411 | 170,337,213,245 | 31,869,550,334 | |
| Transfers from construction in progress | 853,321,619,066 | 2,882,475,196,555 | 189,992,039,573 | |
| Transfers from inventories | - | - | - | |
| Increase due to business acquisition | 78,789,493,059 | 320,489,345,662 | 22,518,303,621 | |
| Transfers to investment property | (3,460,558,894) | (469,928,364) | - | |
| Transfers to long-term prepayments (*) | (1,097,097,639) | (10,388,099,548) | (1,244,306,113) | |
| Disposals | (10,010,177,958) | (17,750,933,890) | (14,313,380,542) | |
| Reclassifications | (181,957,903) | (1,409,049,049) | 1,195,238,095 | |
| Closing balance | 2,126,117,218,387 | 7,747,429,057,274 | 592,136,887,627 | |
| Accumulated depreciation | | | | |
| Opening balance | 264,232,142,882 | 1,641,426,724,725 | 151,530,046,106 | |
| Charge for the year | 77,250,222,562 | 561,606,403,695 | 41,657,775,642 | |
| Increase due to business acquisition | 29,151,154,036 | 230,576,820,909 | 19,234,838,299 | |
| Transfers to investment property | (1,353,912,542) | (293,316,235) | - | |
| Transfers to long-term prepayments (*) | (596,349,982) | (4,466,990,118) | (311,799,285) | |
| Disposals | (3,362,269,602) | (14,446,301,494) | (8,088,626,123) | |
| Reclassifications | 2,425,343 | (1,010,384,132) | 946,573,604 | |
| Closing balance | 365,323,412,697 | 2,413,392,957,350 | 204,968,808,243 | |
| Net book value | | | | |
| Opening balance | 923,080,474,363 | 2,762,718,587,938 | 210,589,396,553 | |
| Closing balance | 1,760,793,805,690 | 5,334,036,099,924 | 387,168,079,384 | |

^(*) The transfers to long-term prepayments represents net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets as regulated in Article 3 of Circular 45, i.e. costing less than VND 30 million. These assets are reclassified to long-term prepayments (Note 15).

Included in the cost of tangible fixed assets were assets costing VND 829,810,123,906 which were fully depreciated as of 31 December 2013 (31 December 2012: VND 671,586,199,605), but which are still in active use.

| Total | Other | Livestock | Office equipment |
|--------------------|----------------|------------------|------------------|
| VND | VND | VND | VND |
| | | | |
| 6,512,875,316,427 | - | 243,278,216,767 | 316,019,727,093 |
| 318,898,676,555 | - | 1,418,527,662 | 93,830,103,903 |
| 3,952,080,148,564 | - | - | 26,291,293,370 |
| 52,940,783,988 | - | 52,940,783,988 | - |
| 486,956,303,440 | 52,379,099,002 | | 12,780,062,096 |
| (3,930,487,258) | - | - | - |
| (92,122,942,993) | (313,842,255) | (37,202,623,488) | (41,876,973,950) |
| (80,665,851,524) | - | (31,487,930,578) | (7,103,428,556) |
| 235,546,000 | - | - | 631,314,857 |
| 11,147,267,493,199 | 52,065,256,747 | 228,946,974,351 | 400,572,098,813 |
| | | | |
| 2,289,431,856,824 | - | 69,839,462,266 | 162,403,480,845 |
| 771,607,720,384 | 5,389,951 | 39,340,277,534 | 51,747,651,000 |
| 332,373,342,470 | 43,415,349,204 | - | 9,995,180,022 |
| (1,647,228,777) | - | - | - |
| (49,808,578,628) | (5,389,951) | (15,926,112,623) | (28,501,936,669) |
| (43,748,390,200) | - | (10,842,400,194) | (7,008,792,787) |
| - | - | - | 61,385,185 |
| 3,298,208,722,073 | 43,415,349,204 | 82,411,226,983 | 188,696,967,596 |
| 4,223,443,459,603 | - | 173,438,754,501 | 153,616,246,248 |
| 7,849,058,771,126 | 8,649,907,543 | 146,535,747,368 | 211,875,131,217 |

11. Intangible fixed assets

| | Land use rights | Software | Others | Total |
|---|------------------|----------------|----------------|------------------|
| | VND | VND | VND | VND |
| Cost | | | | |
| Opening balance | 324,478,280,840 | 62,701,742,344 | - | 387,180,023,184 |
| Additions | 37,683,017,909 | 8,883,112,715 | - | 46,566,130,624 |
| Increase from newly acquired subsidiary | 212,908,000,000 | - | 68,510,001,897 | 281,418,001,897 |
| Transfers from construction in progress | 30,097,930,832 | 24,588,635,232 | - | 54,686,566,064 |
| Transfers to investment property | (15,850,800,000) | - | - | (15,850,800,000) |
| Transfers to long-term prepayments (*) | - | (264,952,072) | - | (264,952,072) |
| Disposals | - | (702,055,800) | - | (702,055,800) |
| Reclassifications | - | (235,546,000) | - | (235,546,000) |
| Other decreases | (62,055,125,624) | - | - | (62,055,125,624) |
| Closing balance | 527,261,303,957 | 94,970,936,419 | 68,510,001,897 | 690,742,242,273 |
| Accumulated amortisation | | | | |
| Opening balance | 82,756,148,988 | 50,808,218,640 | - | 133,564,367,628 |
| Charge for the year | 5,329,218,448 | 5,208,965,579 | - | 10,538,184,027 |
| Increase from newly acquired subsidiary | - | - | 47,943,521,448 | 47,943,521,448 |
| Transfers to long-term prepayments (*) | - | (129,993,863) | - | (129,993,863) |
| Disposals | - | (702,055,800) | - | (702,055,800) |
| Other decreases | (31,957,194,792) | - | - | (31,957,194,792) |
| Closing balance | 56,128,172,644 | 55,185,134,556 | 47,943,521,448 | 159,256,828,648 |
| Net book value | | | | |
| Opening balance | 241,722,131,852 | 11,893,523,704 | - | 253,615,655,556 |
| Closing balance | 471,133,131,313 | 39,785,801,863 | 20,566,480,449 | 531,485,413,625 |

^(*) The transfers to long-term prepayments represents net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets as regulated in Article 3 of Circular 45, i.e. costing less than VND 30 million. These assets are reclassified to long-term prepayments (Note 15).

Included in the cost of intangible fixed assets were assets costing VND 47,704,588,915 which were fully amortised as of 31 December 2013 (31 December 2012: VND 45,221,516,597), but which are still in use.

12. Construction in progress

| | 2013 VND | 2012 VND |
|--------------------------------------|---------------------|-------------------|
| Opening balance | 3,565,241,433,334 | 1,295,087,396,884 |
| Additions | 1,127,953,553,346 | 3,244,215,655,105 |
| Transfers to tangible fixed assets | (3,952,080,148,564) | (961,162,499,610) |
| Transfers to intangible fixed assets | (54,686,566,064) | - |
| Transfer to investment property | (38,884,288,170) | - |
| Other decreases | (109,671,633,254) | (12,899,119,045) |
| Closing balance | 537,872,350,628 | 3,565,241,433,334 |

Major constructions in progress relate to the following locations:

| | 31/12/2013 VND | 31/12/2012 VND |
|-----------------------------|-------------------|-------------------|
| Vietnam milk factory | 27,693,383,103 | 1,819,204,239,183 |
| Vietnam powder milk factory | 22,234,884,364 | 1,509,809,070,248 |
| Can Tho branch | 52,101,510,922 | 45,086,527,051 |
| Dairy Cow farms (*) | 35,827,102,037 | 35,366,294,536 |
| Lam Son milk factory (*) | 7,800,711,948 | 4,045,436,097 |
| Da Nang milk factory | - | 21,448,226,014 |
| Saigon milk factory | - | 591,352,078 |
| Tien Son milk factory | 92,638,406,909 | - |
| Others | 299,576,351,346 | 129,690,288,127 |
| | 537,872,350,628 | 3,565,241,433,334 |

^(*) These constructions are owned by the Company.



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13. Investment property

| | Land use rights VND | Infrastructure VND | Buildings VND | Total VND |
|---|------------------------|-----------------------|------------------|-----------------|
| Cost | | | | |
| Opening balance | 27,489,150,000 | 5,994,290,197 | 84,183,047,263 | 117,666,487,460 |
| Transfers from fixed assets | 15,850,800,000 | 612,850,894 | 3,317,636,364 | 19,781,287,258 |
| Transfers from construction in progress | 38,884,288,170 | - | - | 38,884,288,170 |
| Closing balance | 82,224,238,170 | 6,607,141,091 | 87,500,683,627 | 176,332,062,888 |
| Accumulated amortisation | | | | |
| Opening balance | - | 1,743,730,508 | 19,208,367,862 | 20,952,098,370 |
| Charge for the year | 264,518,968 | 643,677,805 | 3,378,821,967 | 4,287,018,740 |
| Transfers from tangible fixed assets | - | 324,282,781 | 1,322,945,996 | 1,647,228,777 |
| Closing balance | 264,518,968 | 2,711,691,094 | 23,910,135,825 | 26,886,345,887 |
| Net book value | | | | |
| Opening balance | 27,489,150,000 | 4,250,559,689 | 64,974,679,401 | 96,714,389,090 |
| Closing balance | 81,959,719,202 | 3,895,449,997 | 63,590,547,802 | 149,445,717,001 |

The Group's investment property represents buildings and infrastructure held for earning rental income.

The fair value of investment property has not been determined as there was no recent market transaction for similar property in the same location as the Group's investment property.

Included in the cost of investment property was assets costing VND 7,228,577,143 which were fully depreciated as of 31 December 2013 (31 December 2012: VND 6,976,800,000), but which are still in active use.

14. Long-term investments

| | % of ownership | % of voting right | 2013 VND | 2012 VND |
|---|-------------------|-------------------------|------------------|------------------|
| Long-term equity investments in associates and a jointly control entity | | | | |
| Miraka Limited | 19.3% (*) | 19.3% (*) | 248,670,851,841 | 178,904,317,366 |
| Asia Saigon Food Ingredients Joint Stock Company | 15.0% (*) | 15.0% (*) | 27,975,762,678 | 21,888,373,590 |
| Horizon Apartment – Business Cooperation Contract | 24.5% | 24.5% | 7,982,684,826 | 9,942,684,826 |
| Dairy Cow Development Project | = | - | - | 7,209,270,725 |
| | | | 284,629,299,345 | 217,944,646,507 |
| Other long-term investments | | | | |
| Long-term corporate bonds | | | - | 50,000,000,000 |
| Investment funds | | | 21,677,078,220 | 30,540,000,000 |
| • Others | | | 22,250,548,736 | 300,000,000 |
| | | | 43,927,626,956 | 80,840,000,000 |
| | | | 328,556,926,301 | 298,784,646,507 |
| Allowance for diminution in value of long-term investments | | | (10,248,632,262) | (14,355,884,467) |
| | | | 318,308,294,039 | 284,428,762,040 |

^(*) Management assessed that the Group had significant influence over these two entities because two members of the Company's Board of Directors are Board of Management members of these two entities.

Movements in the allowance for diminution in value of long-term investments during the year were as follows:

| | 31/12/2013 VND | 31/12/2012 VND |
|---|-------------------|-------------------|
| Opening balance | 14,355,884,467 | 142,350,792,629 |
| Increase in allowance during the year | 238,406,621 | 763,261,300 |
| Allowance utilised during the year | (4,345,658,826) | - |
| Written back | - | (74,749,515,662) |
| Reclassification to provision for diminution in value of short-term investments | = | (54,008,653,800) |
| Closing balance | 10,248,632,262 | 14,355,884,467 |

15. Long-term prepayments

| | Prepaid land rental VND | Tools and supplies VND | Other prepayments VND | Total VND |
|---|-------------------------------|------------------------------|-----------------------------|-------------------|
| Opening balance | 2,159,885,571 | 37,556,491,051 | 1,357,601,500 | 41,073,978,122 |
| Additions | 8,455,270,242 | 147,440,864,836 | 92,427,754,240 | 248,323,889,319 |
| Transfer from tangible fixed assets (*) | - | 42,314,364,365 | - | 42,314,364,365 |
| Transfer from intangible fixed assets (*) | - | 134,958,209 | - | 134,958,209 |
| Transfers to short-term prepayments | (852,304,998) | (102,324,091,622) | (1,010,634,673) | (104,187,031,293) |
| Transfers to expenses | (3,329,984,359) | (41,171,453,715) | (12,006,882,332) | (56,508,320,406) |
| Closing balance | 6,432,866,456 | 83,951,133,124 | 80,767,838,735 | 171,151,838,315 |

(*) Transfers from fixed assets represents the net book value of existing fixed assets which do not meet one of the criteria for recognition as fixed assets, i.e. costing less than VND 30 million, as regulated in Article 3 of Circular 45. These assets were reclassified from tangible and intangible fixed assets during the year (Note 10 and Note 11). The remaining net book values of these assets are amortised on a straight line basis over their remaining estimated useful lives, but not exceeding three years.

16. Deferred tax assets

Deferred tax assets were recognised on the following:

| | 31/12/2013 VND | 31/12/2012 VND |
|---------------------------------|-------------------|-------------------|
| Foreign exchange differences | 597,622,666 | 2,593,255,781 |
| Accrued expenses and provisions | 114,702,999,974 | 105,408,691,291 |
| | 115,300,622,640 | 108,001,947,072 |

17. Goodwill

| | 31/12/2013 VND | 31/12/2012 VND |
|---|-------------------|-------------------|
| Opening balance | 13,662,186,598 | 15,503,335,522 |
| Increase due to acquisition of a new subsidiary | 166,879,949,640 | - |
| Charge for the year | (1,213,435,128) | (1,841,148,924) |
| Other decreases | (4,864,781,928) | - |
| Closing balance | 174,463,919,182 | 13,662,186,598 |

18. Short-term borrowings

| | 31/12/2013 VND | 31/12/2012 VND |
|---|-------------------|-------------------|
| Short-term borrowings | 517,000,000 | - |
| Current portion of long-term borrowings and liabilities (Note 22) | 178,426,692,147 | - |
| | 178,943,692,147 | - |

Short-term borrowings incurred by Thong Nhat Thanh Hoa Dairy Cow Limited Company. These borrowings are unsecured and bore interest rate of 12% per annum.

19. Taxes payable to State Treasury

| | 31/12/2013 VND | 31/12/2012 VND |
|---------------------|-------------------|-------------------|
| Value added tax | 106,950,956,654 | 59,106,005,706 |
| Import tax | - | 3,932,727,653 |
| Income tax | 336,889,518,369 | 252,860,913,932 |
| Personal income tax | 12,853,254,782 | 18,020,617,756 |
| Other taxes | 32,175,181 | 32,604,800 |
| | 456,725,904,986 | 333,952,869,847 |

20. Accrued expenses

| | 31/12/2013 VND | 31/12/2012 VND |
|-----------------------------------|-------------------|-------------------|
| Sale incentives for distributors | 218,642,778,937 | 172,183,794,781 |
| Advertising expenses | 66,981,178,134 | 116,910,036,213 |
| Transportation expenses | 40,344,338,573 | 23,976,054,607 |
| Fuel expenses | 18,140,900,939 | 7,115,522,438 |
| Repairs and maintenance expenses | 12,478,798,051 | 5,797,227,711 |
| Expenses for outsourced employees | 13,071,225,266 | 11,164,299,513 |
| Interest expense | 384,249,613 | |
| Others | 120,717,500,491 | 27,956,701,587 |
| | 490,760,970,004 | 365,103,636,850 |

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21. Other payables

| | 31/12/2013 VND | 31/12/2012 VND |
|--|-------------------|-------------------|
| Short-term deposits received | 21,931,607,492 | 18,642,185,025 |
| Import duty payables | 108,992,820,343 | 176,541,502,888 |
| Other payables relating to financial investments (*) | 448,007,419,155 | 448,007,419,155 |
| Dividend payables | 664,944,528,680 | - |
| Insurance and trade union fees | 945,240,476 | 582,711,892 |
| Others | 96,941,190,899 | 20,363,229,449 |
| | 1,341,762,807,045 | 664,137,048,409 |

(*) Other payables relating to financial investments included an advance payment of VND 447,822,000,000 received from a third party in respect of the future transfer of the Group's investment in a bank. The transfer can only be effective upon approval by the bank's Annual General Meeting or Board of Management and its founding shareholders; or after five years from the date of establishment of the bank, whichever comes first.

22. Long-term borrowings

| | 31/12/2013 VND | 31/12/2012 VND |
|--|-------------------|-------------------|
| Long-term borrowings | 362,569,476,550 | - |
| Repayable within twelve months (Note 18) | (178,426,692,147) | - |
| Repayable after twelve months | 184,142,784,403 | - |

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Terms and conditions of long-term borrowings were as follows:

| | Currency | Annual interest rate | Year of maturity | 31/12/2013 VND | 31/12/2012 VND |
|------------------|----------|----------------------|---------------------|-------------------|-------------------|
| Wells Fargo | | | | | |
| Loan 1 | USD | 3.75% | 2016 | 74,835,282,296 | - |
| Loan 2 | USD | 4.25% | 2016 | 115,940,000,000 | - |
| Loan 3 | USD | 4.25% | 2016 | 24,111,957,480 | <u>-</u> |
| Lincoln National | USD | 15% | 2015 | 131,742,704,212 | - |
| Individuals | VND | | 2039 | 15,939,526,870 | - |
| | | | | 362,569,470,858 | - |

23. Provision for severance allowance

Movements of the provision for severance allowance during the year were as follows:

| | 2013 VND | 2012 VND |
|--------------------------------|-----------------|-----------------|
| Opening balance | 59,635,777,000 | 66,923,897,268 |
| Provision made during the year | 12,277,166,717 | 1,687,443,587 |
| Provision used during the year | (609,124,300) | (680,685,501) |
| Written back | (1,720,526,167) | (8,294,878,354) |
| Closing balance | 69,583,293,250 | 59,635,777,000 |

24. Changes in owners' equity

| | Share capital VND | Share premium VND | Treasury shares VND |
|--|----------------------|----------------------|------------------------|
| Balance at 1 January 2012 | 5,561,147,540,000 | 1,276,994,100,000 | (2,521,794,000) |
| Capital increase during the year | 2,778,410,420,000 | - | - |
| Purchase of treasury shares | - | - | (1,982,321,000) |
| Net profit for the year | - | - | - |
| Appropriation to equity funds and bonus and welfare fund | - | - | - |
| Dividends | - | - | - |
| Balance at 31 December 2012 | 8,339,557,960,000 | 1,276,994,100,000 | (4,504,115,000) |
| Decrease in bonus share issued | - | - | (38,950,000) |
| Purchase of treasury shares | - | - | (525,442,959) |
| Net profit for the year | - | - | - |
| Appropriation to equity funds and bonus and welfare fund | - | - | - |
| Dividends (Note 26) | - | - | - |
| Balance at 31 December 2013 | 8,339,557,960,000 | 1,276,994,100,000 | (5,068,507,959) |

| Total VND | Retained profits VND | Financial reserve VND | Investment and development fund VND |
|---------------------|-------------------------|--------------------------|---|
| 12,477,205,196,484 | 4,177,446,360,100 | 556,114,754,000 | 908,024,236,384 |
| - | (1,149,527,225,008) | - | (1,628,883,194,992) |
| (1,982,321,000) | - | - | - |
| 5,819,454,717,083 | 5,819,454,717,083 | - | - |
| (578,586,940,709) | (1,425,622,185,054) | 32,287,268,008 | 814,747,976,337 |
| (2,222,994,056,000) | (2,222,994,056,000) | - | - |
| 15,493,096,595,858 | 5,198,757,611,121 | 588,402,022,008 | 93,889,017,729 |
| - | 16,115,000 | - | 22,835,000 |
| (525,442,959) | - | - | - |
| 6,534,133,662,834 | 6,534,133,662,834 | - | - |
| (647,209,361,709) | (1,749,089,266,584) | 245,553,773,992 | 856,326,130,883 |
| (3,834,006,138,600) | (3,834,006,138,600) | - | - |
| 17,545,489,315,423 | 6,149,811,983,770 | 833,955,796,000 | 950,237,983,612 |



25. Share capital

The Company's authorised and issued share capital is:

| | 31/12/2013 | | 31/12/2012 | |
|---------------------------------|------------------|-------------------|------------------|-------------------|
| | Number of shares | VND | Number of shares | VND |
| Authorised share capital | 833,955,796 | 8,339,557,960,000 | 833,955,796 | 8,339,557,960,000 |
| Issued ordinary shares | | | | |
| Ordinary shares | 833,955,796 | 8,339,557,960,000 | 833,955,796 | 8,339,557,960,000 |
| Treasury ordinary shares | | | | |
| Ordinary shares | (488,735) | (5,068,507,959) | (430,120) | (4,504,115,000) |
| Shares currently in circulation | | | | |
| Ordinary shares | 833,467,061 | 8,334,489,452,041 | 833,525,676 | 8,335,053,845,000 |

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

26. Dividends

The Shareholders of the Company on 26 April 2013, 31 July 2013 and 30 November 2013 resolved to distribute dividends amounting to VND 1,500 billion (VND 1,800 per share) and VND 1,667 billion (VND 2,000 per share) and VND 667 billion (VND 800 per share), respectively.

27. Total revenue

Total revenue represented the gross value of goods sold and services rendered exclusive of value added tax.

Net sales comprised

| | 2013 VND | 2012 VND |
|--|--------------------|--------------------|
| Total revenue | | |
| Sales of finished goods | 31,150,951,345,551 | 26,687,053,494,046 |
| Sales of merchandise goods | 392,518,053,443 | 378,856,511,250 |
| Rental income from investment property | 12,125,306,829 | 11,694,544,989 |
| Other services | 30,412,427,799 | 24,079,188,993 |
| | 31,586,007,133,622 | 27,101,683,739,278 |
| Less sales deductions | | |
| Sale discounts | (615,609,946,192) | (529,926,422,029) |
| Sale returns | (21,795,060,124) | (10,183,137,285) |
| | (637,405,006,316) | (540,109,559,314) |
| Net revenue | 30,948,602,127,306 | 26,561,574,179,964 |

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28. Cost of sales

| | 2013 VND | 2012 VND |
|---------------------------------------|--------------------|--------------------|
| Total cost of sales | | |
| Finished goods sold | 19,356,246,171,629 | 17,110,723,660,326 |
| Merchandise goods sold | 333,087,645,676 | 313,985,989,376 |
| Rental of investment property | 7,083,811,145 | 5,511,306,230 |
| Other services | 2,153,118,401 | 1,021,956,715 |
| Inventories losses | 7,972,098,132 | 6,163,282,024 |
| Under-capacity cost | 50,916,894,707 | 47,214,514,188 |
| Increase of allowance for inventories | 8,333,940,784 | 209,538,329 |
| | 19,765,793,680,474 | 17,484,830,247,188 |

29. Financial income

| | 2013 VND | 2012 VND |
|----------------------------------|-----------------|-----------------|
| Interest income from deposits | 370,757,416,185 | 249,762,897,095 |
| Interest income from bonds | 23,338,013,697 | 77,056,806,958 |
| Interest income on loans granted | 625,185,469 | 468,750,000 |
| Gains on disposal of securities | 12,258,500 | 8,790,592,000 |
| Dividends | 22,767,489,751 | 35,619,974,400 |
| Realised foreign exchange gains | 89,847,345,276 | 103,438,947,734 |
| Others | 638 | 100,617,862 |
| | 507,347,709,516 | 475,238,586,049 |

30. Financial expenses

| | 2013 VND | 2012 VND |
|---|----------------|------------------|
| Payment discounts for distributors | 26,181,425,042 | 31,602,235,707 |
| Interest expense on loans | 104,027,048 | 3,114,837,973 |
| Interest expense on deposits received | 805,352,929 | 1,016,360,739 |
| Realised foreign exchange losses | 29,550,432,486 | 37,855,110,550 |
| Unrealised foreign exchange losses | 13,064,625,014 | 23,750,178,315 |
| Allowance/(write back allowance) for short-term and long-term investments | 17,634,293,701 | (77,210,476,142) |
| Others | 3,450,661,270 | 31,042,882,273 |
| | 90,790,817,490 | 51,171,129,415 |

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Selling expenses 31.

| | 31/12/2013 VND | 31/12/2012 VND |
|--|-------------------|-------------------|
| Advertising expenses | 885,452,890,656 | 586,620,623,362 |
| Promotion expenses | 942,567,027,026 | 635,694,113,386 |
| Support and commission expenses for distributors | 512,198,480,608 | 405,354,439,716 |
| Staff costs | 194,049,933,281 | 154,142,240,782 |
| Material expenses | 60,524,090,011 | 56,236,043,231 |
| Tools and supplies expenses | 82,551,394,335 | 61,297,993,881 |
| Depreciation expenses | 24,911,649,370 | 25,653,373,488 |
| Expenses of damaged goods | 13,414,638,552 | 13,803,784,829 |
| Transportation expenses | 385,469,435,879 | 307,016,838,337 |
| Outside service expenses | 175,292,088,948 | 99,969,890,863 |
| | 3,276,431,628,666 | 2,345,789,341,875 |

General and administration expenses 32.

| | 31/12/2013 VND | 31/12/2012 VND |
|--|-------------------|-------------------|
| Staff costs | 203,720,294,882 | 165,496,215,666 |
| Material expenses | 17,697,620,827 | 13,566,054,345 |
| Office supplies | 8,519,542,351 | 4,275,239,859 |
| Depreciation expenses | 62,917,986,126 | 60,091,120,002 |
| Fees and duties | 6,898,909,318 | 15,421,910,323 |
| Allowance for doubtful debts and provision for severance allowance | 12,407,364,263 | 1,344,579,930 |
| Transportation for internal transfers of goods | 43,865,767,765 | 50,852,128,502 |
| Outside service expenses | 151,818,765,982 | 123,243,688,760 |
| Loading expenses | 20,323,775,456 | 24,670,644,465 |
| Per-diem allowances | 18,520,954,726 | 18,037,151,325 |
| Bank charges | 3,471,288,316 | 5,975,197,656 |
| Others | 61,093,236,238 | 42,223,338,513 |
| | 611,255,506,250 | 525,197,269,346 |

33. Other income

| | 31/12/2013 VND | 31/12/2012 VND |
|---|-------------------|-------------------|
| Proceeds from disposals of tangible fixed assets | 29,581,525,306 | 38,249,877,676 |
| Proceeds from disposals of tools, supplies and technical equipments | 96,319,979,308 | 94,593,140,503 |
| Compensations received from other parties | 938,427,793 | 789,778,800 |
| Rebate income | 167,756,170,079 | 196,470,446,738 |
| Others | 18,861,796,533 | 20,220,100,031 |
| | 313,457,899,019 | 350,323,343,748 |

34. Other expenses

| | 31/12/2013 VND | 31/12/2012 VND |
|--|-------------------|-------------------|
| Book value of tangible fixed assets disposed | 36,917,461,324 | 58,923,685,176 |
| Others | 21,902,400,710 | 4,082,590,937 |
| | 58,819,862,034 | 63,006,276,113 |

35. Income tax

(i) Recognised in the statement of income

| | 2013 VND | 2012 VND |
|---|-------------------|-------------------|
| Current tax expense | | |
| Current year | 1,472,499,920,010 | 1,119,335,324,019 |
| Under provision in prior year | 10,948,296,650 | 18,236,511,541 |
| | 1,483,448,216,660 | 1,137,571,835,560 |
| Deferred tax benefit | | |
| Origination and reversal of temporary differences | (7,298,675,568) | (27,358,535,564) |
| Income tax expense | 1,476,149,541,092 | 1,110,213,299,996 |

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35. Income tax (continued)

(ii) Reconciliation of effective tax rate

| | 2013 VND | 2012 VND |
|--|-------------------|-------------------|
| Profit before tax | 8,010,256,856,719 | 6,929,668,017,079 |
| Tax at the Company's tax rate | 2,002,564,214,180 | 1,732,417,004,270 |
| Tax rate differential applied to Company's branches and factories | (282,235,173,307) | (313,944,391,849) |
| Non-taxable income | (13,678,892,481) | (21,681,732,054) |
| Non-deductible expenses | 7,544,277,757 | 6,147,267,330 |
| Tax incentives | (253,697,982,690) | (316,897,335,259) |
| Deferred tax assets not previously recognised | 11,018,011,195 | (7,099,509,506) |
| Deferred income tax asset written off | - | 5,315,132,448 |
| Current tax losses in subsidiaries for which no deferred income tax asset was recognised | - | 7,720,353,075 |
| Write down of deferred tax assets due to reduction in tax rate from 25% to 22% | 15,722,812,178 | _ |
| Under provision in prior year | 10,948,296,650 | 18,236,511,541 |
| | 1,476,149,541,092 | 1,110,213,299,996 |

(iii) Applicable tax rates

The Companies in Group are required to pay income tax at rates ranging from 15% to 40%, depending on locations of its factories, on taxable profits. In the Group, only the Company and Lam Son Dairy One Member Company Limited incurred the income tax charges. Other companies have no taxable income.

36. Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2013 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(i) Net profit attributable to ordinary shareholders

| | 2013 VND | 2012 VND |
|---|-------------------|-------------------|
| Net profit for the year – attributable to ordinary shareholders | 6,534,133,662,834 | 5,819,454,717,083 |

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(ii) Weighted average number of ordinary shares

| | 2013 | 2012 |
|---|-------------|-------------|
| Number of ordinary shares at the beginning of the year | 833,525,676 | 555,867,614 |
| Effect of bonus shares issued | - | 277,879,835 |
| Purchase of treasury shares | (20,428) | (107,863) |
| Weighted average number of ordinary shares at the end of the year | 833,505,248 | 833,639,586 |

As of 31 December 2013, the Company did not have potentially dilutive ordinary shares.

37. Financial instruments

(a) Financial risk management

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- · liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks.

The Group's Board of Management oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.



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37. Financial instruments (continued)

(b) Credit risk (continued)

(i) Exposure to credit risk

The total of carrying amounts of financial assets issued represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

| | Note | 31/12/2013 VND | 31/12/2012 VND |
|---|-------|-------------------|-------------------|
| Cash and cash equivalents | (ii) | 2,744,355,064,174 | 1,251,112,916,346 |
| Term deposits | (ii) | 3,600,000,000,000 | 2,974,000,000,000 |
| Trade and other receivables | (iii) | 2,305,337,326,185 | 1,669,743,665,741 |
| Short-term investments – debt instruments | (iv) | - | 300,000,000,000 |
| Long-term investments – debt instruments | (iv) | - | 50,000,000,000 |
| | | 8,649,692,390,359 | 6,244,856,582,087 |

(ii) Cash and cash equivalents and term deposits

Cash and cash equivalents and term deposits at banks of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(iii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In response to the risk, the Group's management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit purchase limit is established for each customer, which represents the maximum open amount without requiring approval from the Chief Executive Officer. The limit is reviewed in needed. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Trade and other receivables that are neither past due nor impaired are mostly companies with good collection track records with the Group. Management believes that those receivables are of high credit quality.

The aging of trade and other receivables at year-end that were past due but not impaired is as follows:

| | 31/12/2013 | 31/12/2012 |
|----------------------------|-----------------|----------------|
| | VND | VND |
| Past due 1 – 30 days | 182,137,670,525 | 13,392,747,256 |
| Past due 31 – 60 days | 1,522,157,190 | 214,534,274 |
| Past due 61 – 90 days | 132,616,901 | 574,491,413 |
| Past due more than 90 days | 166,581,220 | - |
| | 183,959,025,836 | 14,181,772,943 |

Movements in the allowance for doubtful debts during the year were as follows:

| | 2013 VND | 2012 VND |
|---------------------------------------|-----------------|---------------|
| Opening balance | 3,852,583,886 | 1,918,007,430 |
| Increase in allowance during the year | 7,317,652,651 | 1,972,328,394 |
| Written off | (3,783,148,628) | (37,751,938) |
| Closing balance | 7,387,087,909 | 3,852,583,886 |

(iv) Short-term and long-term investments – debt instruments

The Group's exposure to credit risk by investing in bonds is influenced by individual characteristics of instrument issuers. In managing this risk, the Group management analyses the creditworthiness of the issuers before acquiring the instruments. Management assessed that the issuers had good track records and believe that credit risk on those instruments is low.

There is no allowance for diminution in the value of the investments in debt instruments during the year.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.



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37. Financial instruments (continued)

(c) Liquidity risk (continued)

The financial liabilities with fixed or determinable payments have the following contractual maturities:

31 December 2013

| | Carrying amount VND | Contractual cash flows VND | Within 1 year VND | 1 – 2 years VND | 2 – 5 years VND | More than 5 years VND |
|-----------------------------|---------------------------|----------------------------------|-------------------------|-----------------------|-----------------------|-----------------------------|
| Accounts payable – trade | 1,968,257,136,188 | 1,968,257,136,188 | - | | | |
| Payables to employees | 137,540,107,294 | 137,540,107,294 | - | - | - | |
| Accrued expenses | 490,760,970,004 | 490,760,970,004 | - | - | - | |
| Other payables | 1,341,762,807,045 | 1,341,762,807,045 | - | - | - | |
| Long-term payables | 5,036,159,560 | 5,036,159,560 | - | 5,036,159,560 | - | |
| Short-term borrowings | 178,943,692,147 | 204,657,303,863 | 204,657,303,863 | - | - | |
| Long-term borrowings | 184,142,784,403 | 198,513,958,271 | - | 50,652,124,622 | 131,922,306,779 | 15,939,526,870 |
| | 4,306,443,656,641 | 4,346,528,442,225 | 204,657,303,863 | 55,688,284,182 | 131,922,306,779 | 15,939,526,870 |

31 December 2012

| | Carrying Amount | Contractual cash flows | Within 1 year |
|--------------------------|--------------------|------------------------|-------------------|
| | VND | VND | VND |
| Accounts payable – trade | 2,247,659,149,802 | 2,247,659,149,802 | 2,247,659,149,802 |
| Payables to employees | 106,150,509,860 | 106,150,509,860 | 106,150,509,860 |
| Accrued expenses | 365,103,636,850 | 365,103,636,850 | 365,103,636,850 |
| Other payables | 664,137,048,409 | 664,137,048,409 | 664,137,048,409 |
| | 3,383,050,344,921 | 3,383,050,344,921 | 3,383,050,344,921 |

The Group manages its ability to meet the expected operational expenses and servicing its debts by investing its cash surpluses in short-term and long-term investments.

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(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's results of operations or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the accounting currency of the Group, which is the VND. The currencies in which these transactions primarily are denominated are U.S Dollars (USD) and Euro (EUR).

The Group's exposure to currency risk is managed by keeping the exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term over-exposures.

Exposure to currency risk

At 31 December 2013, the Group had the following net monetary asset/(liability) position exposed to currency risk:

| | 31 December 2013 31 December | | 31 Decembe | er 2012 |
|-----------------------------|------------------------------|-------------|--------------|--------------|
| | USD | EUR | USD | EUR |
| Cash and cash in banks | 16,776,618 | 21,606 | 11,737,838 | 49,848 |
| Trade and other receivables | 40,228,189 | - | 26,862,852 | 9,151 |
| Trade and other payables | (28,256,420) | (6,861,815) | (35,559,707) | (12,185,695) |
| | 28,748,387 | (6,840,209) | 3,040,983 | (12,126,696) |

The followings are the significant exchange rates applied by the Group:

| | Exchange ra | te as at |
|-------|-------------------|-------------------|
| | 31/12/2013 VND | 31/12/2012 VND |
| USD 1 | 21,080 | 20,800 |
| EUR 1 | 28,956 | 27,301 |

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37. Financial instruments (continued)

(d) Market risk (continued)

(i) Currency risk (continued)

Below is an analysis of the possible impact on the net profit of the Group, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases:

| | Effect to net profit VND |
|------------------------|-----------------------------|
| 31 December 2013 | |
| USD (5% strengthening) | 22,725,600,132 |
| EUR (5% strengthening) | (7,427,441,572) |
| 31 December 2012 | |
| USD (5% strengthening) | 2,371,967,217 |
| EUR (5% strengthening) | (12,415,160,621) |

The opposite movement of the currencies would have equal but opposite effect to the net profit of the Group.

(ii) Interest rate risk

The changes of interest rates would not have significant impact on the net profit of the Group.

(iii) Price risk

The Group invests in equity investments of listed and unlisted companies and is exposed to risks of price fluctuation of these investments. The risk factors affecting the performance of these investments include financial performance and position of invested companies and market conditions. The Board manages the former factor by selecting industries and entities to invest in. The latter factor is itself affected by general economic condition of Vietnam and behaviours of investors, which are all out of the Board's control. These factors have caused conditions to be volatile in the past two years.

For investments in listed securities, if the share prices had increased/decreased by 10% with all other variables including tax rate being held constant, the Group's consolidated net profit would have been VND 7,526,266,200 higher/lower (31 December 2012: VND 10,425,695,430).

Fair values versus carrying amount

(e)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

| | | 31/12/2013 | 2013 | 31/12/2012 | 2012 |
|---|------------|---------------------|---------------------|----------------------------|---------------------|
| | | Carrying amount | Fair value | Fair value Carrying amount | Fair value |
| | Note | VND | VND | VND | VND |
| Categorised as financial assets at fair value through profit or loss: | | | | | |
| - Short-term investments in listed equity instruments | (ii) | 9,521,269,292 | 26,326,080,000 | 9,521,269,292 | 23,839,728,000 |
| Categorised as held-to-maturity investments: | | | | | |
| - Term deposits | (i) | 3,600,000,000,000 | 3,600,000,000,000 | 2,974,000,000,000 | 2,974,000,000,000 |
| - Institution bonds | 3 | 1 | 1 | 300,000,000,000 | Note (v) |
| - Long-term corporate bonds | 3 | ı | ı | 50,000,000,000 | Note (v) |
| Categorised as loans and receivables: | | | | | |
| - Cash and cash equivalents | <u>(i)</u> | 2,744,355,064,174 | 2,744,355,064,174 | 1,251,112,916,346 | 1,251,112,916,346 |
| - Trade and other receivables | <u>(i)</u> | 2,305,337,326,184 | 2,305,337,326,184 | 1,669,743,665,741 | 1,669,743,665,741 |
| Categorised as available-for-sale | | | | | |
| - Short-term investments in listed equity instruments | 3 | 179,237,503,400 | 100,350,264,600 | 201,499,700,820 | 140,029,324,400 |
| - Short-term investments in unlisted equity instruments | <u></u> | 82,533,803,026 | 15,446,113,626 | 82,283,660,000 | 13,725,392,800 |
| - Other short-term investments | 3 | 442,000,000,000 | Note (v) | 472,000,000,000 | Note (v) |
| - Long-term investments in investment funds | (iv) | 21,677,078,220 | 11,428,445,958 | 30,540,000,000 | 16,184,115,533 |
| - Other long-term investments | 3 | 22,250,548,736 | Note (v) | 300,000,000 | Note (v) |
| Categorised as liabilities at amortised cost: | | | | | |
| - Trade and other payables | = | (4,306,443,656,641) | (4,306,443,656,641) | (3,383,050,344,921) | (3,383,050,344,921) |

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37. Financial instruments (continued)

(e) Fair values versus carrying amount (continued)

(i) Cash and cash equivalents, term deposits, trade and other receivables, trade and other payables

The carrying amounts of these financial assets and financial liabilities approximate their respective fair values due to the short-term maturity of these instruments.

(ii) Short-term investments in listed equity securities

Market value of equity securities listed on the Ho Chi Minh Stock Exchange is based on the closing prices of the last official trading date of the year at the Ho Chi Minh Stock Exchange.

(iii) Short-term investments in unlisted equity securities

Market value of unlisted equity securities is based on the average of trading prices provided by 3 securities companies.

(iv) Investment funds

Market value of investments funds is based on Net Asset Value of funds portfolio which is verified by the appointed security company and supervising bank.

(v) Institution bonds, other short-term investments, long-term corporate bonds and other long-term investments

The Company has not determined fair values of these financial assets for disclosure in accordance with Article 28 of Circular No. 210/2009/TT-BTC dated 6 November 2009 of the Ministry of Finance because (i) quoted prices in active market is not available for these financial assets and liabilities; and (ii) Vietnamese Accounting Standards and the Vietnamese Accounting System do not provide guidance on measurement of fair values in the case where quoted prices in active market is not available. Fair value of these financial instruments may be different from their carrying values.

38. Significant transactions with related parties

In addition to related party balances disclosed in other notes to the consolidated financial statements, the Company had the following transactions with related parties during the year:

| Related Party | Relationship | Nature of transaction | 2013 VND | 2012 VND |
|---|--------------|----------------------------|-------------------|-------------------|
| | | | | |
| Miraka Limited | Associate | Purchase of goods | 182,836,660,880 | 376,348,603,444 |
| Wilfaka Liffilled | Associate | Capital contribution | 33,713,307,770 | - |
| Asia Caireaa Farad la suradiante deita | | Purchase of goods | 11,414,335,000 | 37,676,635,000 |
| Asia Saigon Food Ingredients Joint Stock Group | Associate | Sale of services and goods | 228,233,276 | - |
| Board of Management's and Board of Directors' members | | Compensation | 61,379,663,770 | 56,403,673,599 |
| The State Capital Investment Corporation | | Payment of dividends | 1,427,781,600,000 | 1,001,952,000,000 |

39. Commitments

(a) Capital expenditure

The Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

| | 31/12/2013 VND | 31/12/2012 VND |
|-------------------------|-------------------|-------------------|
| Approved and contracted | 180,816,143,352 | 341,946,216,953 |

(b) Leases

The future minimum lease payments under non-cancellable operating leases were:

| | 31/12/2013 VND | 31/12/2012 VND |
|--------------------------|-------------------|-------------------|
| Within one year | 10,229,299,096 | 8,415,283,099 |
| Within two to five years | 40,917,196,384 | 33,661,132,396 |
| More than five years | 298,345,396,804 | 237,595,297,887 |
| | 349,491,892,284 | 279,671,713,382 |

for the year ended 31 December 2013

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41. Production and business costs by element

| | 2013 VND | 2012 VND |
|---|--------------------|--------------------|
| Raw material costs included in production costs | 18,391,025,570,770 | 16,368,626,885,672 |
| Labour costs and staff costs | 972,049,819,144 | 736,961,575,667 |
| Depreciation and amortisation | 780,751,440,172 | 534,303,105,072 |
| Outside services | 1,222,110,846,980 | 922,116,282,884 |
| Other expenses | 2,628,574,296,692 | 1,842,875,132,323 |

42. Subsequent events

On 6 January 2014, the Company established a subsidiary in Cambodia. Total charter capital of this subsidiary is USD 23,000,000, of which the Company contributed 51%.

On 24 February 2014, the Company's Board of Management passed a resolution to decide to liquidate Real Estate International One Member Limited, a 100% owned subsidiary.

28 February 2014

Prepared by:

A CONTRACTOR OF THE PARTY OF TH

Le Thanh LiemChief Accountant

Ngo Thi Thu TrangExecutive Director - Finance

Mai Kieu LienChief Executive Officer

Approved by:



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PROUD OF VIETNAM'S MILK COMPARABLY THE WORLD CLASS





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