



VINAMILK
Annual Report 2011

1 billion US dollars



CONTENTS

1	Five-year group performance	04	5	Report of the inspection committee	12
2	Vision – Mission – Core values	06	6	Corporate Profile	14
3	Chairwoman's message	08		Corporate Information	
4	Report of the management board	10		Group Structure	
				Organization and Management Structure	
				Board of Management	
				Executive Board	
				Inspection Committee	

FINANCIAL CALENDAR

ANNOUNCEMENTS OF AUDITED CONSOLIDATED FINANCIAL RESULTS

■ Quarter 1	: 29 April 2011
■ Quarter 2	: 30 July 2011
■ Quarter 3	: 31 October 2011
■ Full year	: 5 March 2012

DIVIDEND:

According to the Resolution of Annual General Meeting dated 25 March 2011, the proposed dividend for 2011 was VND3,000 per share. In 2011, the Company has paid the interim dividend for the year as follows:

■ Interim dividend	: VND2,000 per share
■ Entitlement	: 13 September 2011
■ Payment	: 30 September 2011

ISSUES OF NEW SHARES:

During 2011, Vinamilk has issued common shares to increase its share capital as follows:

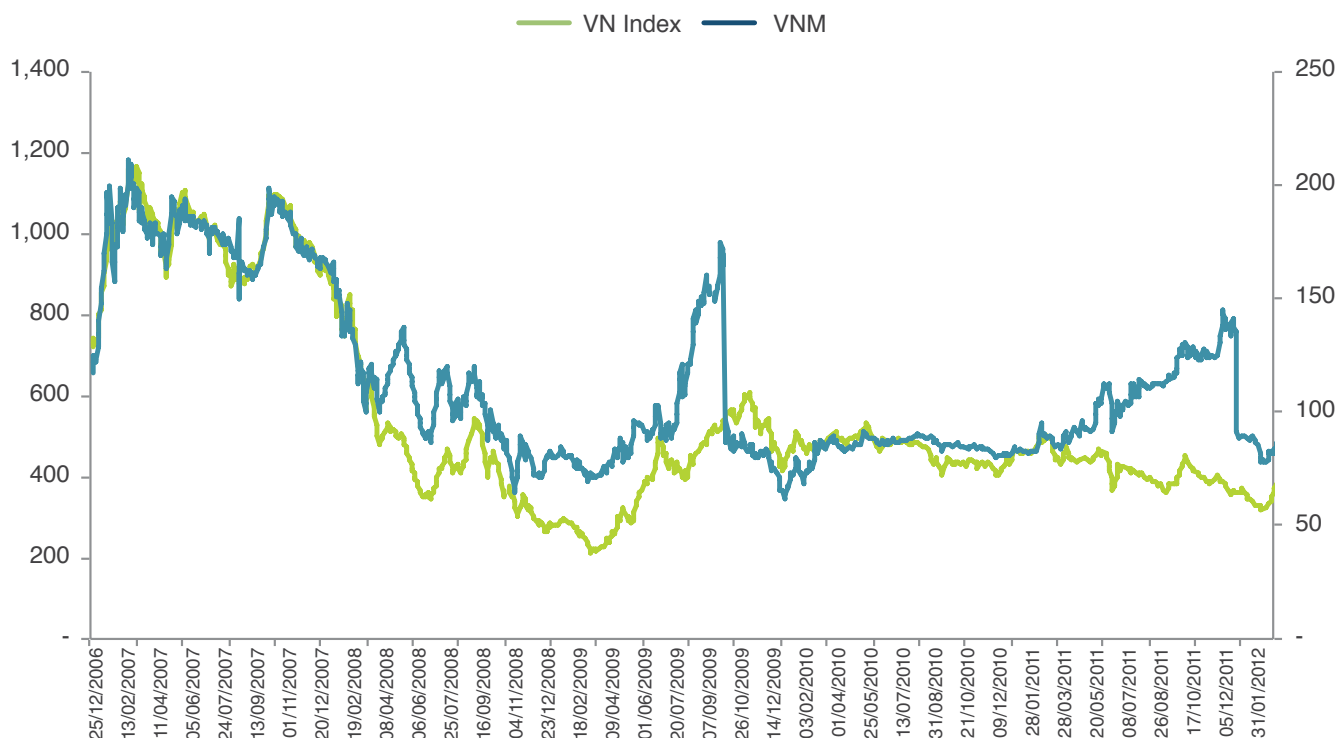
Description	Type of share	Effective date	Number of new shares	Share capital after the new issues (VND1.000)
Employee Share Ownership Plan (ESOP) based on the financial results 2010	Common share	01 April 2011	3,498,520	3,565,706,400
Private Replacement 2011	Common share	27 June 2011	10,700,000	3,672,706,400
ESOP for employees in 2011	Common share	27 June 2011	3,554,910	3,708,255,500
Bonus shares for the existing shareholders with bonus ratio 2:1	Common share	27 December 2011	185,289,204	5,561,147,540
Total			203,042,634	

ANNUAL GENERAL MEETING:

- The Annual General Meeting of 2011 was held on 25 March 2011.
- The Annual General Meeting of 2012 will be held on 23 March 2012.

7	Report of Executive Board	30	9	Investor Relations	56
	Business Review				
	Financial Analysis				
	Distribution Network				
	Research & Development				
8	Corporate Governance	42	10	Environment and Community Activities	58
	Corporate Governance Report				
	Risk Management Report		11	Consolidated Financial Statements	66
	Internal Audit				
			12	Contact list	114

FIVE – YEAR GROUP PERFORMANCE



For the year ended 31 December

2007

2008

2009

2010

2011

INCOME STATEMENT (VND BILLION)

Total sales	6,675	8,381	10,820	16,081	22,071
Profit before tax	955	1,371	2,731	4,251	4,979
Profit after tax	963	1,249	2,376	3,616	4,218

DIVIDEND (VND/SHARE)

Earnings per share	5,607	3,563	6,769	6,834	7,717
Dividend	2,900	2,900	3,000	4,000	3,000

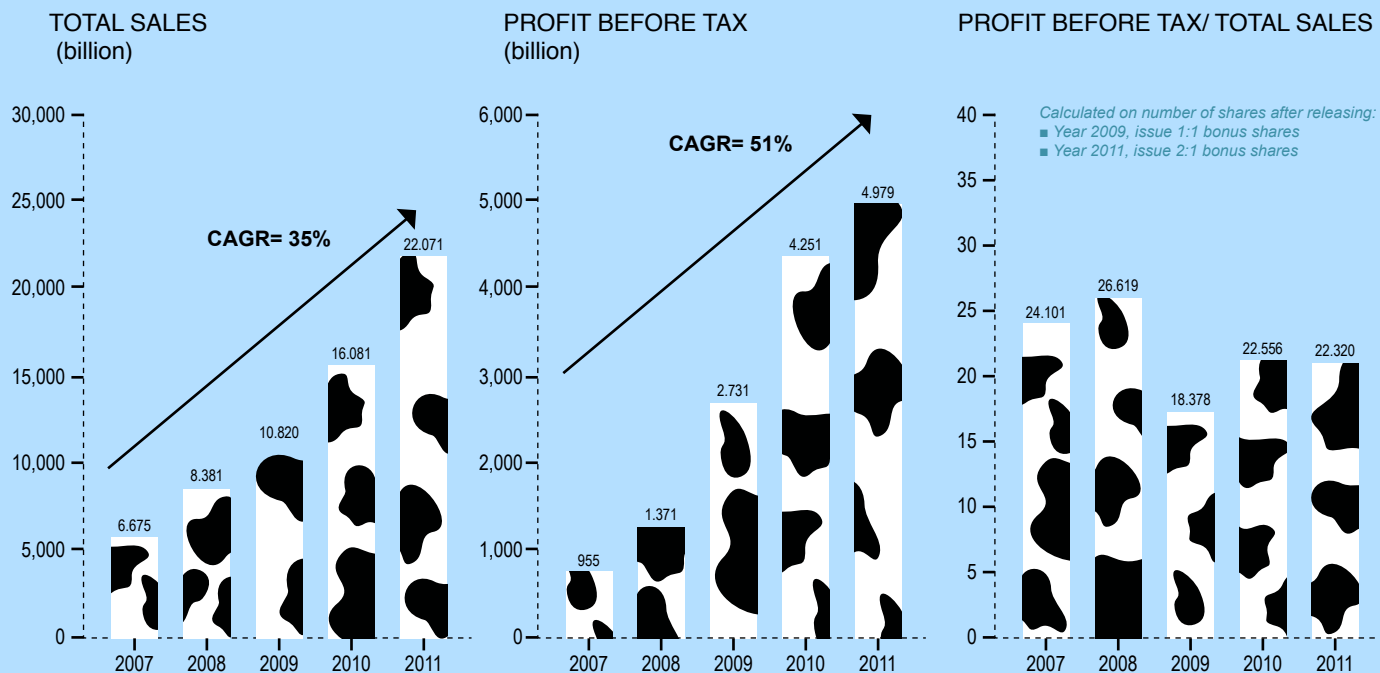
BALANCE SHEET (VND BILLION)

Share Capital	1,753	1,753	3,513	3,531	5,561
Owners' Equity	4,224	4,666	6,455	7,964	12,477
Total Assets	5,425	5,967	8,482	10,773	15,583
Long – term borrowings	32	22	12	-	-
Net book value (per share)	24,101	26,619	18,378	22,556	22,437

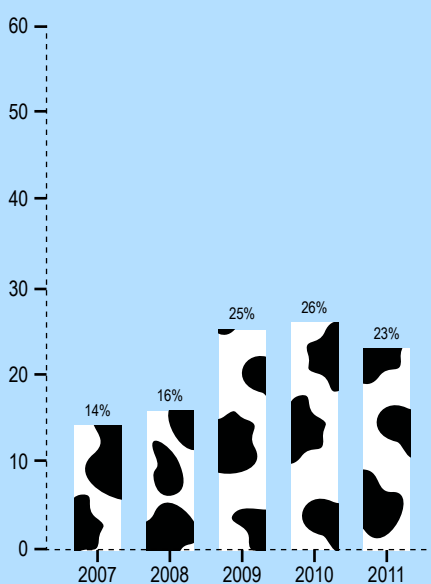
FINANCIAL RATIOS (%)

Profit before tax/ Total sales	14%	16%	25%	26%	23%
Return on Equity	28%	28%	43%	50%	41%
Total Liabilities/ Owners' Equity	28%	28%	31%	35%	25%

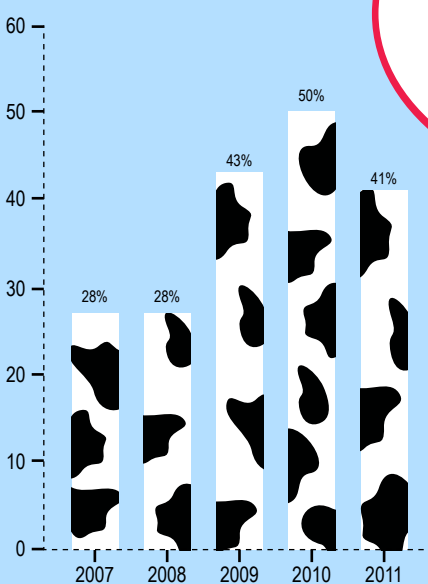
COMPOUND AVERAGE GROWTH RATE 35% OF TOTAL SALES FOR 5 YEARS



PROFIT BEFORE TAX/ TOTAL SALES (%)



RETURN ON EQUITY (%)



TOTAL SALES
REACHED TO
USD 1 BILLION



Vision

“To become the leading Vietnamese trusted brand on nutrient and healthy products for human life”

Mission

“Vinamilk commits to bring best-quality nutrition to communities that reflects our respect, love and responsibility for the people, life and society”

Core Values

1. Integrity

Integrity and transparency in actions and transactions.

2. Respect

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

3. Fairness

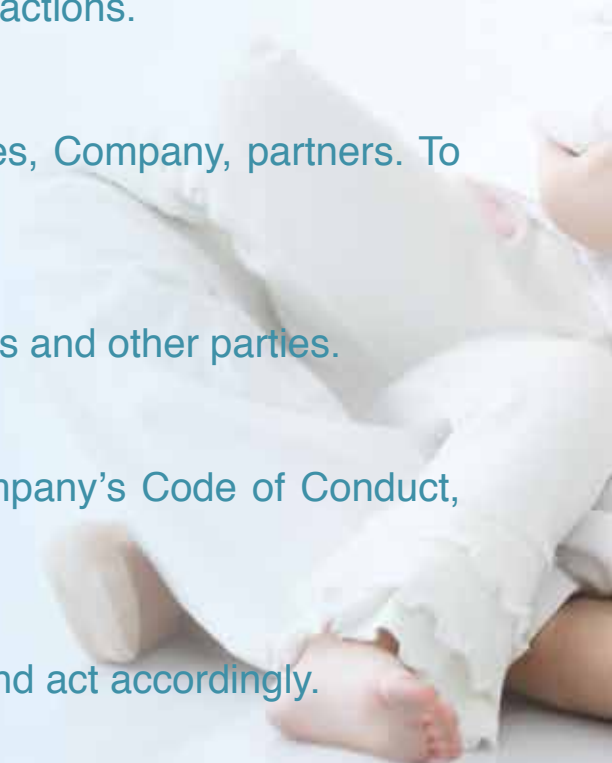
To be fair with employees, customers, suppliers and other parties.

4. Compliance

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

5. Ethics

To respect the established ethical standards and act accordingly.



**BIND TO SCIENCE,
NOURISH BRAINPOWER**





MESSAGE | CHAIRWOMAN'S MESSAGE

When the year 2011 ended, Vinamilk's revenue reached over US\$1 billion; the company officially became a member of the big enterprise community in the Asia Pacific Region.

To: Honorable Shareholders

Looking back at the year 2011, we are satisfied with our business objectives achieved. Our revenue reaching over US\$1 billion (VND22,071 billion) which is a 37.2% improvement compared to the previous year. Our payment to the State Budget was VND2,400 billion and an increase of 38% year on year from 2010. Import/Export Department was noteworthy for its achievement of more than US\$140 million or a 67.4% growth of export value in 2011

The US\$1 billion milestone was achieved one year earlier than planned in the objective set out in the 2010-2013 three-years business plan. It was a very important achievement for Vinamilk. From this point forward, Vinamilk became an official member of the large enterprise community in the Asia Pacific Region. Both small and medium-sized enterprises have revenue less than US\$1 billion). The company participates in a larger business playground with greater challenges and yet greater awards. Within the context of great challenges in the world economy in particular the Vietnamese economy, Vinamilk must make even greater efforts in the future.

In 2012, in order to achieve a 30% year-on-year increase in growth rate, we shall to focus on the following three key issues:

- Every employee, no matter what position, must improve their working capabilities and creativity to meet the standards of the largest dairy products company in Vietnam.
- Corporate governance must reach international standards.
- Maximizing cost saving to achieve an equivalent profit growth rate.

I believe that in several years, Vinamilk will once again be a member of the Top 200 Enterprises List in Asia Pacific, selected by the Forbes Magazine.

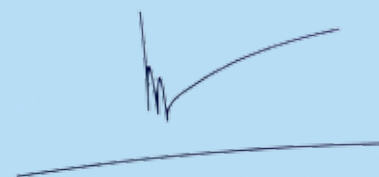
Let's bring Vinamilk out to the world! As the pride of Vietnamese brands expanding overseas, in the face of increasingly fierce competition, with will and thirst for learning and creativeness, Vinamilk will surely become a magical story.

Dividends: Dividends of each year will be decided by the General Meeting of Shareholders. According to the Resolution approved by the annual General Meeting of Shareholders on the 25th of March 2011, dividends for the whole year of 2011 would be VND3,000 per share. In September of 2011, the Company paid in advance the first installment of dividends to shareholders at VND2,000 per share. Thus, the coming General Meeting of Shareholders will decide the dividends to be paid for the year 2011.

Long-term objectives: The milk market of Vietnam is expected to grow strongly at a sustainable rate for the future. Vinamilk has always focused on intensive and extensive investments to meet market demands and set the goal of becoming one of the top 50 dairy product enterprises in the world with revenue of US\$3 billion by 2017.

On behalf of Vinamilk, I would like to extend our sincere gratitude to our domestic and overseas partners, distributors, supermarkets and the 178,000 retail outlets nationwide which have brought Vinamilk products to consumers. Vinamilk would especially like to thank 90 million Vietnamese consumers and all consumers in other countries that have trusted and used Vinamilk products and helping the company to exceed the revenue milestone of US\$1 billion in 2011.

Ho Chi Minh City, 23 March 2012



Mai Kieu Lien
Chairwoman

REPORT OF THE MANAGEMENT BOARD

Following 2010, the Vietnamese economy continued to see difficulties in 2011 with inflation increased to 18.58%. Vietnam's GDP growth slowed down to an estimated 5.89% compared with 6.78% growth achieved in 2010

High interest rates created pressure for manufacturing activities and the local residents. In the international environment, the world economy also faced great challenges with a sovereign debt crisis, a global economic growth slow-down, price hikes for commodities including mineral oil and other key raw materials all added to complicated market developments.

2011 was also the 35th anniversary of Vinamilk. After 35 years of development, Vinamilk has become a pride of generations of employees and the top milk brand of the Vietnamese people. Vinamilk has marked its 35 years of success with an important milestone: revenue of 2011 exceeding US\$1 billion.

Actual results

With constant efforts, in 2011, Vinamilk well achieved revenue and profit targets set out by the General Meeting of Shareholders.

VND billion	Actual 2011	Planned 2011	Actual/ Planned (%)	2010	2011 / 2010
Gross revenue	22,071	20,560	7.3%	16,081	37.2%
Profit before tax	4,979	4,300	15.8%	4,251	17.1%
Profit after tax	4,218	3,586	17.6%	3,616	16.6%

This results prove that Vinamilk continues to grow despite economic difficulties and challenges. Revenue continued to grow at a rate of 37.2% with profit after tax growing at a more modest rate than revenue of 16.6%. If the negative impact was eliminated from the profit from transfer of assets in 2010, profit after tax in 2011 grew at 30%. A significant achievement in the context of the economic difficulties the company faced. This was a very large effort of the entire Vinamilk system.



New products: New products continued to be introduced into the market such as sterilized fresh milk that applies a new relative centrifugal acceleration technology. Soft drinks such as grape juice, aloe vera grape juice, guava juice and existing products are being innovated. New yoghurt drinks have been created due to changes in yoghurt fermentation technology. This is a shift to direct fermentation in place of classic fermentation.

Finance: A successful private placement of 10.7 million shares was made at a 32% premium to the average market price. The issuance of ESOP shares to employees was made according to the operating results in 2010 with 3,498,520 shares was the final ESOP issuance approved by the General Meeting of Shareholders in 2006 for employees. In 2011, 3,554,910 shares and issuance of bonus shares to existing shareholders was made at a ratio of 2:1 or equivalent to 185,289,204 shares in accordance with the schedule approved by the General Meeting of Shareholders. The new charter capital of the Company after such issuances is VND5,561,147,540,000.

Business development strategies

The Management Board defines the Company's development strategies for the coming years and in the long term as follows:

- Continue to only focus on the Company's principal business activities such as producing milk and expanded to producing healthy beverages.
- Continue to strengthen and expand the distribution system by opening additional retail outlets and increasing coverage of distribution.
- Invest in the expansion of factories in order to increase production capacity to meet market needs for long-term development. The company will maximize and optimize the production capacity of existing factories by investing in the construction of new factories with the world's most advanced technologies in order to maintain product quality in accordance with international standards.
- Invest in development of dairy material zones through the investing in increases of cows on existing dairy farms and searching for and developing new domestic and overseas dairy farms.



Dear Honorable Shareholders of Vietnam Dairy Products Joint Stock Company ("Vinamilk")

2011 marked the last year of operation for the Inspection Committee (IC) term 2007-2011. This is the first year that Vinamilk earned over VND22 trillion of revenue or exceeding US\$1 billion target. Revenues were up 37.2% from 2010. Vinamilk operates across Vietnam and its traditional export markets and is expanding to key material zones in the world. This marks its first investment in the milk powder factory in Miraka, New Zealand. Vinamilk has continuously built and developed a management system with eight key management blocks that manages over 4,000 regular employees and over 4,000 outsourced employees in all provinces and cities across Vietnam.

The rapid development of Vinamilk has taken place in volatile and difficult markets in and outside Vietnam. In a difficult environment, it is extremely important to manage risks, check and control activities of the system to help mitigate risks while not curbing growth.

Activities of the Inspection Committee

The Inspection Committee (IC) is comprised of three independent members that act as representatives of shareholders and receives support from the Board of Directors ("BOD") and the Management Board ("MB"). The board continues to conduct check and supervision by making recommendations on necessary changes at Vinamilk in key areas that improve corporate governance at the company. In 2011, SB operated mainly through the following:

- Controlling activities and risks through Internal Auditors ("IA") and coordinating with Internal Controllers and Risk Managers (IC & RM);
- Attending Management Board meetings as a supervisor;
- Joining the Audit Committee to work with the Independent Auditor PriceWaterhouseCoopers on the results of the independent audit and as important matters arise.
- Frequent discussions with the Audit Committee under the Management Board of Vinamilk in all the activities of the Inspection Committee.

1. Controlling activities and risks through the Internal Auditor

Coming into existence in late 2010, the Internal Auditing Department in its first year of official operation developed above expectation in terms of audit skills and coordination with audited departments. The Internal Auditing Department established itself as a friendly partner that provides support for the operations and safe development of other departments in the company. Checks and controls were conducted directly by the Internal Audit team under the Inspection Committee's instructions. It applied an internal audit process based on international auditing practices. This process includes studies, visits to departments and its units, check of records and documents for the audited period and discussions and interviews with managerial positions at various levels in order to ensure that the audit is comprehensive and detailed.

In 2011, the Internal Audit Department conducted six audits of the key business administration processes of the Company including; the marketing management process, the human resources management process, the selling and sale budget management process, and the transport coordination process and the production norm management process. For each audit, the Internal Audit Department always made specific and detailed recommendations which were all agreed to implement by the relevant audited departments, the Inspection Committee and the General Director.

Internal audit results showed that there were no significant risks in the management processes of Vinamilk including compliance by the audited units and individuals

The Enterprise Risk Management System (ERM) has been set up to oversee the Management Board and subordinate administration levels including departments, boards, subsidiaries, factories and enterprises. This system was put under the direct management and responsibility of the General Director. The Enterprise Risk Management System consists of a periodic reporting framework that has been established and is being completed. The effectiveness of this system will be further improved in 2012 according to the action plans of the Internal Control and Risk Management Department. The coordination of all activities will be with the participation, comments and supervision by the Inspection Committee and the Internal Audit Department.

The control process for managing conflicts of interest in Related Party Transactions ("RPT") and Internal Party Transactions ("IPT") has been announced and launched to managerial levels across the entire company. The monitoring of a complete and detailed will be a focus of Vinamilk in 2012.

2. Attendance to meetings of the Management Board

The Inspection Committee has attended all the meetings of the Management Board quarterly or upon request in order to understand the daily business operation of the company. The Inspection Committee gave comments to the Management Board and the Board of Directors in implementing strategies and objectives which were approved by the General Meeting of Shareholders in March 2011. The Inspection Committee realized that the Boards performed their responsibilities strictly. Business plans, basic investment projects, investment and capital-raising opportunities were discussed and approved in term of giving the best benefit for the company's development. All comments from Inspection Committee were considered in the decisions of the Management Board.

3. Discussion with the Independent Auditor and analysis of the financial statements

Together with the Audit Committee, the Inspection Committee periodically discussed with the Independent Auditor of Vinamilk (PwC for 2011) about the auditing scope in the beginning of the year and the audited statements. The Board also reviewed the quarterly financial data of the company.

According to quarterly performance reports presented by BOD, and the annual audited report dated 31 December 2011, the Inspection Committee commented that the financial figures were well performed:

- Basic indexes of debts, borrowings, liquidity, asset use efficiency, provisions, equity capital were highly qualified; and
- The operating results of Vinamilk exceeded the targets which were approved by the GMS in early 2011.

4. Association with the Audit Committee

The SB proactively coordinated to the Audit Committee in all supervising activities. It is the close coordination to improve the action framework between the MB and the SB in accordance with international standards.

Conclusions and Recommendations

With results of 2011, SB believed that risk management, supervision and control activities have provided the current status of company, issues which should be improved for further development to the MB and BOD in order to capturing market opportunities in the long term.

Year 2012 will be a year when the IA department need to expand its capability, scope of audit, re-audit and post-audit monitoring activities in key segments of the company.

Being the representative of shareholders, the SB strongly believes in the ability of management and development of the MB, BOD and all employees of Vinamilk. The SB highly appreciated the Company for giving us a good condition to fulfill the supervising activities. We also believe that the MB and BOD will continuously have great success and bring Vinamilk to be an enterprise with international standards of management for its sustainable growth and Vinamilk's position in Vietnam and the regional market.

Finally, we would like to thank all Shareholders for their trust, supports and wish Vinamilk will reach new peak.

Ho Chi Minh City, 23 March 2012

Yours faithfully,

For the Inspection Committee
Head

Nguyen Thi Tuyet Mai

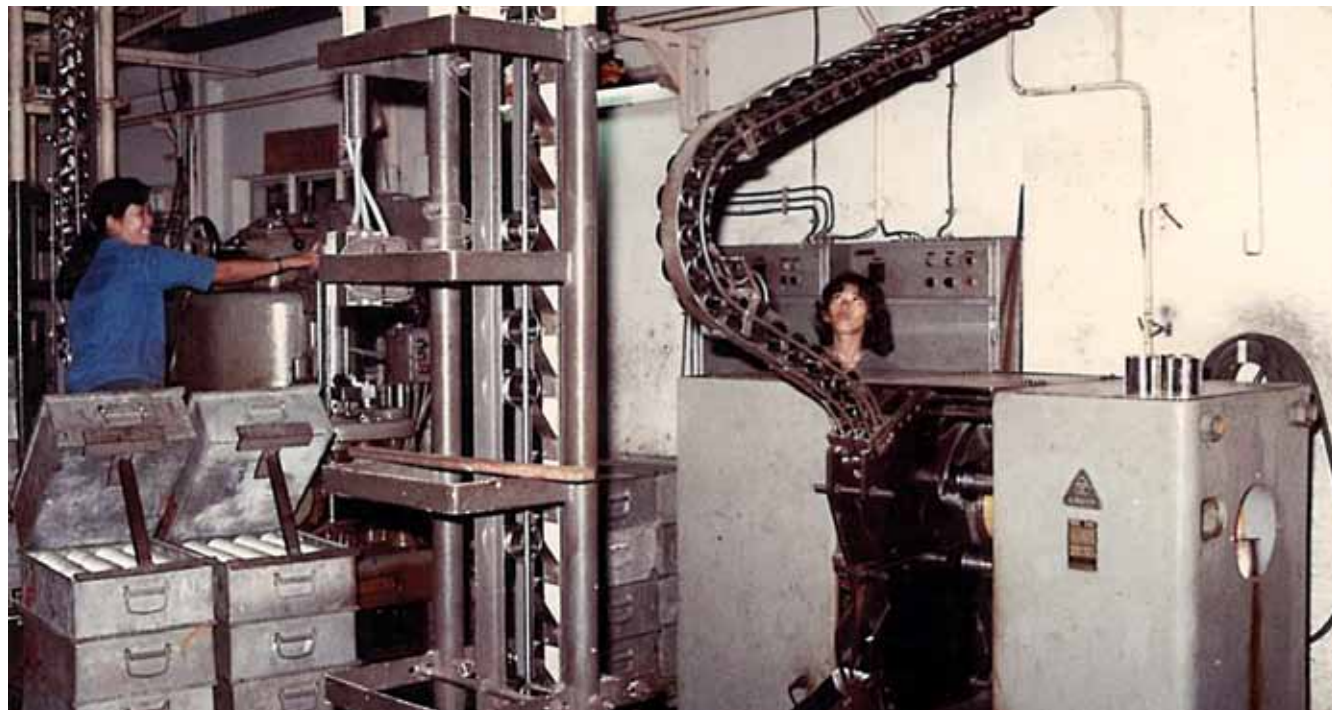
**TO CULTIVATE GREEN DREAM FOR
BRIGHT FUTURE**



Corporate Profile

Corporate Information
Group Structure
Organization and Management Structure
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Executive Board
Inspection Committee

KEY EVENTS DURING THE HISTORY OF VINAMILK



1976

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.

1978

The Company had more factories: Bich Chi Powder Factory, Lubico Cake Factory and Bien Hoa Coffee Factory. The management of our Company was transferred to the Ministry of Food Industry and the Company was renamed United Enterprises of Milk Coffee Cookies and Candies I.

1989

Dielac Powdered Milk Factory came into operation and introduced its first batch of products.

1992

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.

1996

Binh Dinh Dairy Joint Venture Enterprise was founded as the result of our joint venture with Dong Lanh Quy Nhon Joint Stock Company. Ha Noi Dairy Factory came into operation.

2001

Can Tho Dairy Factory was inaugurated and put into operation in the Mekong Delta.

2003

The company was formally transformed into a joint stock company in November 2003 and renamed as Vietnam Dairy Products Joint Stock Co., to reflect its change in legal status.

2004

Acquired Saigon Milk Joint Stock Company and increased share capital of the company to VND 1,590 billion.

2005

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, located in Cua Lo Industrial Zone, Nghe An province, on 30 June 2005.

2006

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

2007

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.

2008

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

2010

Acquired 100% shares from F&N Vietnam Limited and changed its name to Dielac Dairy One Member Co., Ltd. Invested NZD12.5 million, equivalent to 19.3% of share capital in Miraka Limited in New Zealand.

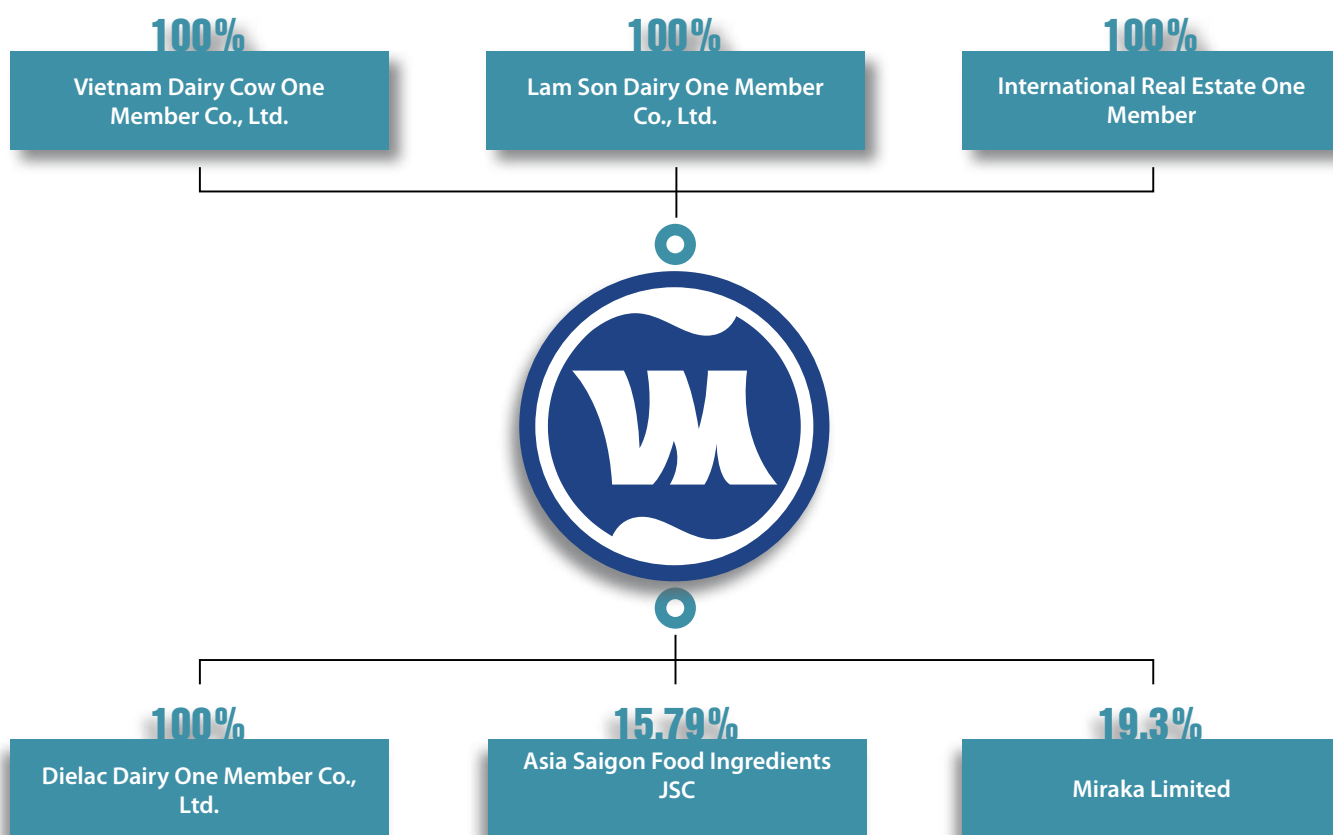
Acquired the remaining shares of Lamson Milk Joint Stock Company and changed its name to Lam Son Dairy One Member Co., Ltd.

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



30 year anniversary of its establishment: 20 August 1976 – 20 August 2006

“Currently, the Company has 03 sales offices, 10 operational factories, 03 factories under construction, 02 logistic enterprises and 01 clinic”



VINAMILK HAS SUBSIDIARIES AND ASSOCIATES:

No.	Company name	Nature of business	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 and beverages	80	100
3	International Real Estate One Member	Real estate business (not yet operating)	160	100
4	Dielac Dairy One Member Co., Ltd.	Manufacturing and trading dairy products.	146	100
5	Asia Saigon Food Ingredients JSC.	Producing cream powder used for foods	114	15.79
6	Miraka Limited	Manufacturing and trading dairy products	NZD55 million	19.3

KEY ACTIVITIES OF THE SUBSIDIARIES, ASSOCIATES:

1. VIETNAM DAIRY COW ONE MEMBER CO., LTD

Was founded on 11 July 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 materials.

All these farms are received intensive investments into breeding cows, quality input feedings, breeding facilities and milking technology meeting the Europe standards in order to ensure that fresh milk materials are at the best quality. This is the key material source for the production of 100% fresh milk products of the parent Company's factories.

As at 31 December 2011, this company manages five dairy cow farms in Tuyen Quang, Nghe An, Thanh Hoa, Binh Dinh and Lam Dong with 6,712 heads.

During 2011, this company also supplied 12,522,749 litres of raw fresh milk to Vinamilk.

2. LAM SON DAIRY ONE MEMBER CO., LTD

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

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

This company is expanding its production capacity up to 49.28 litres of liquid milk and 156 million jars of yoghurt.

3. INTERNATIONAL REAL ESTATE ONE MEMBER CO., LTD

Was founded on 22 February 2006 to invest in real estate. However, Vinamilk's strategy focuses on its core business and as such the company has been dormant.

4. DIELAC DAIRY ONE MEMBER CO., LTD

Formerly known as F&N Vietnam Co., Ltd, located in Vietnam–Singapore Industrial Park. Vinamilk acquired all its shares and changed its name to Dielac Dairy One Member Co., Ltd. under the Investment Certificate No. 463041000209 dated 30 September 2010.

This subsidiary is under re-construction for the powdered milk and nutrition powder with the total annual capacity of 54.000 tons and expected to start commercial production in 2013.

5. ASIA SAIGON FOOD INGREDIENTS JSC

Was founded on 7 May 2008. Its current share capital is VND114 billion of which Vinamilk has contributed by VND18 billion, equivalent to 15.79%

The designed capacity of the factory is 11,000 ton/year, producing raw materials used in the foodstuff processing industry. The company started its first commercial production in May 2011. The capacity utilization of the first year reached to 70%.

The company started generating profit from December 2011.

6. MIRAKA LIMITED

Its share capital is NZD55 million, in which Vinamilk has contributed NZD 12.5 million (equivalent to 19.3%).

This is the first investment project in overseas. The plant is located in the central of Taupo, New Zealand

The plant buys raw fresh milk from the local farmers in Taupo and produces high-quality milk powders to oversea markets.

This high-quality milk powder plant has the capacity of 32,000 ton/year, and being designed to be able for future expansion. The plant is capable of processing up to 210 million litres of milk per annum (55,000 cows)

The plant is equipped with modern technology at the international standard. The plant is powered by renewable steam and electricity from the nearby Tuaropaki geothermal power station

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

In December 2011, the top management, inclusive of the Management Board members, Inspection Committee members, attended the inauguration ceremony of the plant. The Plant will operate at 80% of the capacity in the first year. On that day, Vinamilk also signed the contract with Miraka to buy 4,000 ton of milk powder. The plant started to make profit since October 2011, just after two months from its commercial operation.



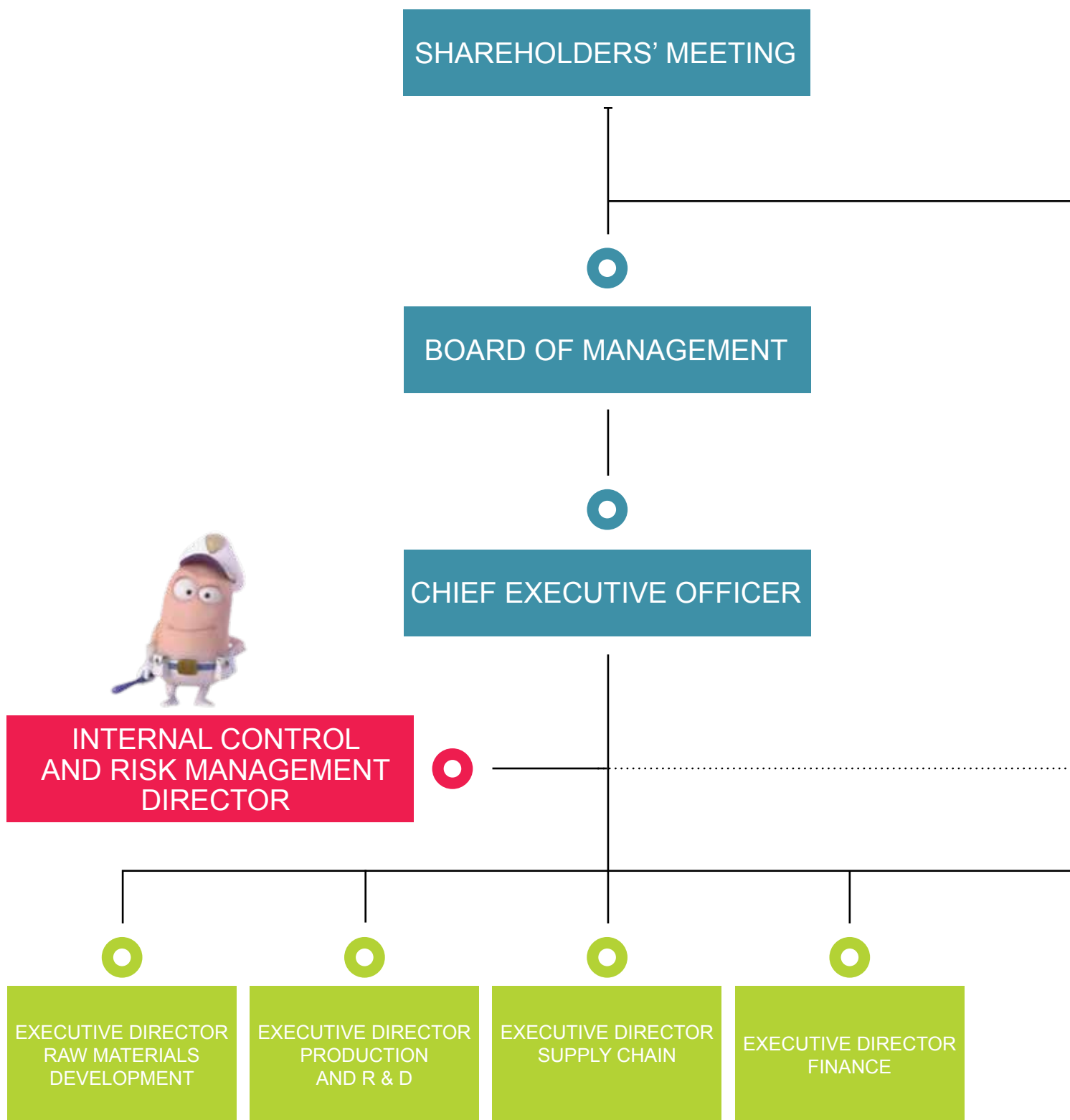


Production line of modern factories Miraka

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



Ms. Mai Kieu Lien and Vinamilk's delegation are ready for the opening ceremony at Miraka.





INSPECTION COMMITTEE



INTERNAL AUDIT DIRECTOR



EXECUTIVE DIRECTOR
PROJECT



EXECUTIVE DIRECTOR
MARKETING



EXECUTIVE
DIRECTOR
SALES



EXECUTIVE
DIRECTOR
HR & ADMIN



Ms. Mai Kieu Lien (1)

Chairwoman and Chief Executive Officer

From August 1976 to August 1980, she was an engineer in charge of the condensed milk production at Truong Tho Dairy Factory. From September 1980 to February 1982, she was a technology engineer in the 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), 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. On 14 November 2003, she was elected Chairwoman of the Board of Management and thereafter appointed as Chief Executive Officer of

our Company. In March 2007, she continued to be elected to the Board of Management, term from 2007 to 2011 by Shareholders' Meeting.

Ms. Lien graduated from Mosco University of Meat & Milk Processing Technology, Russia with a bachelor of science degree 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 2005, Ms. Lien was granted the "Labor Heroine in the innovation period" by the Government. In February 2012, Ms Lien is honored by Forbes as the first and only Vietnamese businesswoman in the list of 50 "Most powerful businesswoman" in Asia.

Ms. Ngo Thi Thu Trang (2)**Member, Executive Director Finance**

She has been Deputy General Director cum Financial Director of our Company since March 2005. Ms. Trang 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 cum Finance Director. From 20 August 2009, the title of Ms. Trang has been changed to Executive Director in charge of Finance.

Ms. Trang graduated from the Finance-Accounting University of Ho Chi Minh City, majoring in accounting and finance in 1984. She also holds a Master of Business Administration degree in 1998.

Mr. Hoang Nguyen Hoc (3)**Member**

Mr. Hoc holds a Master of Business Administration degree from the education program co-operated between Ha Noi National University and Pacific Western University in 2005. Prior to being appointed to our Board of Management, Mr. Hoc had extensive experience in business management during the time working at the Ministry of Finance of Vietnam. From October 1999 to June 2003, Mr. Hoc was a Deputy Director in the Department for state-owned enterprises' financial management, and then being appointed as Director of that Department up to October 2006.

Since October 2006, Mr. Hoc has been working for the State Capital Investment Corporation ("SCIC"), and now being the Deputy General Director of SCIC, in charge of investment, human resources, finance and accounting. In June 2008, the Prime Minister appointed Mr. Hoc a member of SCIC's Board of Management.

Mr. Le Anh Minh (4)**Member**

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 Peregrine 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. He joined Dragon Capital Group Limited in 2002 with position of Director of Finance. Beside his enterprise financial activities, he is currently a member of the Investment Council of several investment funds and securities companies.

Mr. Wang Eng Chin (5)**Member**

Between 1987 and 1988, Mr. Wang worked as a corporate development executive and became a Manager from 1988 to 1991. Mr. Wang joined F&N Foods Pte Ltd. as a General Sales Manager in 1991 and held this position until 1997. Between 1997 and 2003, he served as a Deputy General Manager at F&N Foods Pte Ltd and F&N Dairies (M) Sdn Bhd. In 2003, he became a General Manager, being responsible for general management of F&N Foods Pte Ltd and F&N Vietnam Foods and held this position until September 2006. On 1 October 2006, he was appointed Acting Chief Executive Officer in charge of general management of the Food & Beverage Division, Fraser & Neave Group.

He graduated from University of Mississippi, USA, in 1984 with a Bachelor of Business Administration and in 1987 with a Master of Business Administration.

Ms. Mai Kieu Lien (1)**Chairwoman and Chief Executive Officer**

(Refer to “Board of Management” for information about Ms. Mai Kieu Lien on Page 24)

Ms. Ngo Thi Thu Trang (2)**Member, Executive Director Finance**

(Refer to “Board of Management” for information about Ms. Mai Kieu Lien on Page 25)

Ms. Nguyen Thi Nhu Hang (3)**Executive Director Supply Chain**

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. In July 2007, Ms. Hang was appointed Director of Vietnam Dairy Cow One Member Co., Ltd., a subsidiary of Vinamilk. From 20 August 2009, the position of Ms. Hang has been changed to Executive Director in dairy development.

Ms. Hang graduated from the Ho Chi Minh City University of Economics with a Bachelor degree in business administration.



Ms. Nguyen Thi Thanh Hoa (4)
Executive Director Supply Chain

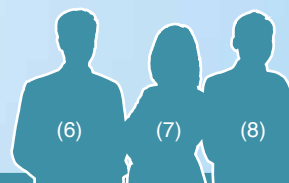
Between September 1978 and June 1983, Ms. Hoa was a lecturer at the Ho Chi Minh Polytechnic University. She later joined our Company in 1983 as a Process Engineer at Truong Tho Dairy Factory. Ms. Hoa held the position of Deputy Director and then Director of Truong Tho Dairy Factory from July 1991 to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

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 degree in Milk Processing Technology.

Mr. Tran Minh Van (5)
Executive Director Project

Between 1990 and July 1994, Mr. Van was a Deputy Director assisting the Director of Thong Nhat Dairy Factory. In August 1994, he was appointed Director of the Thong Nhat Dairy Factory and continued to hold this position until June 2006. 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 20 August 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 degree in engineering. He obtained a Bachelor in Business Administration from Ho Chi Minh City University of Economics in 1994, a Bachelor of Law with major in commercial laws from Ha Noi University of Laws in 2001, and a Master in Business Administration from Ho Chi Minh City University of Economics in 2003.



Mr. Nguyen Quoc Khanh (6)

Acting Executive Director Production and R & D

Has been holding the position of Acting Executive Director Production and R & D in charge of production and product development and safety since September 2009, he currently is responsible to manage factories and research and development center of our Company. Mr. Khanh joined our 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.

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

Ms. Nguyen Huu Ngoc Tran (7)

Acting Executive Director Marketing

Ms. Tran joined Vinamilk in July 2008 at the position of Director in charge of developing marketing strategy. In August 2009, she was appointed Acting Executive Director, in charge of Marketing. She is responsible to developing Marketing strategies for dairy and beverage products of our Company.

Previously, Ms. Tran served as Marketing Manager for Pepsi Vietnam Co., Ltd. between 2003 and 2005. She was then moved to Pepsi Malaysia at position of Marketing Manager. Prior working for Vinamilk, Ms. Tran had a period working for Tan Hiep Phat Group at the position of Marketing Manager.

Ms. Tran graduated from Ho Chi Minh City University of Foreign Trade.

Mr. Pham Phu Tuan (8)

Acting Executive Director Sales

Mr. Tuan joined Vinamilk in September 2008 and held the position of Director in charge of customer development. He, then, was promoted to the position of Acting Sales Executive Director in September 2009. His responsibilities are to develop distribution and business strategies for each market segment, each product line and especially, to focus on reinforcing distribution network of our Company to one of our competitive strengths that ensure the sustainable and long-term growth of Vinamilk. Before joining Vinamilk, Mr. Tuan held many senior management positions in charge of finance and business at multinational companies in Vietnam, including PepsiCo (1993-2002), Kimberly Clark (2002-2003), and Interflour (2003-2005).

Mr. Tuan graduated from Ho Chi Minh University of Finance and Accounting in 1991 and later from Texas University in Dallas with a master degree in Business Administration in 2007.

THÔNG TIN CÔNG TY | INSPECTION COMMITTEE

**Ms. Nguyen Thi Tuyet Mai (1)****Head of Inspection Committee**

Being member of Inspection Committee from March 2007, she became Head of Inspection Committee in March 2008. From 1993 to 1997, Ms. Mai held the position of manager at ANZ Bank, Ha Noi Branch where she was responsible for trade finance and corporate banking relationship management. Between 1999 and 2003, she was a manager at ANZ Bank, Singapore Branch where her experience covered relationship management for the corporate banking division, international banking strategy, structure commodity, trade finance and Asian region credit management. From 2004 to May 2007, she served as senior manager at the representative office of Openasia Consulting Ltd in Ho Chi Minh City. In June 2007, she was promoted to the position of Director of corporate finance in charge of consulting services at VINAconnect Co., Ltd, a member of Openasia Group.

Ms. Mai graduated from the Ha Noi University for Foreign Language Studies in 1991 with a Bachelor degree majoring in English and obtained a Master degree in Business Administration from the University of Melbourne in 1999.

Mr. Nguyen Anh Tuan (2)**Member**

Being a member of the Inspection Committee from March 2008, Mr. Tuan was a founder, the Board's Chairwoman cum General Director of Goldengate Medical Equipment Joint Stock Company since 2004. From 1990 to 1992, he was an officer of the Department of Monetary-Credit Research of the

State Bank of Vietnam. From 1992 to 1994, he was a Sales Executive of SJC of the State Bank of Vietnam. In 1994, he moved to work as a Sales Executive for the representative office of Taisei Corporation of Japan and had been working here until 1997. In 1999, he joined Johnson & Johnson Medical, United States as a Marketing Director in charge of ASEAN region and stayed here until 2004.

Mr. Tuan graduated from American University, Washington D.C., USA with Master degree in Business Administration.

Mr. Nguyen Trung Kien (3)**Member**

Being a 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 business M&A and corporate finance of Credit Suisse First Boston Investment Bank, Singapore. After that, Mr. Kien moved to work as an expert on financial structure at branch of Commonwealth Bank of Australia in New York, America. From 2004 to 2005, he was a senior expert in unit of corporate development, business M&A research and performance of OCBC Bank, Singapore. He later moved to work as a senior investment expert for Temasek Holdings, Singapore. He was the founder and Executive Director of TNK Capital in Vietnam since the beginning of the year up to 2011.

He got a Bachelor on Financial Application from Macquarie University, Australia and then got a Master on business administration from Chicago University, America.

GIVING HANDS TO BUILD A BETTER FUTURE



EXECUTIVE BOARD'S REPORT

Business Review
Financial Analysis
Distribution Network
Research & Development

OVERVIEW OF BUSINESS ACTIVITIES

2011 was a year that the world economy saw great difficulties and the Vietnamese economy in particular. As an enterprise providing products to large numbers of consumers, Vinamilk could not avoid impact that inflation and reduction in actual purchasing power had on consumers.

With tireless efforts of all employees, Vinamilk's revenue in 2011 rose by 37.2% in comparison to 2010. In terms of growth rate, the revenue was lower than in 2010 with 37.2% compared to 48.6%. In terms of absolute value, revenue in 2011 grew more than in 2010. Total revenue in 2011 increased by VND5,990 billion year on year, from VND16,081 billion in 2010 to VND22,071 billion in 2011. This net improvement was an increase of VND5,261 billion of total revenue during the period 2009 till 2010.

The profit growth rate slowed in comparison to the growth in revenues. In 2011, there were dramatic hikes in the prices for both domestic and imported raw materials for Vinamilk. Hikes in the prices of imported raw materials were partly due to price hikes around the world but also an increase by 8.47% in the USD/VND exchange rate in 2011. Prices of domestic raw materials such as sugar rose dramatically seeing the average price of sugar increase by more than 20%. These costs and difficulties were not shared with consumers because Vinamilk tried to maintain their selling prices in 2011. Vinamilk participated in the valorization program for milk powder products for babies of under 12 months' of age and for elderly people in Vietnam. This led to an increase in the ratio of cost of goods sold to net revenue for the Company from 67.2% in 2010 to 69.5% in 2011.

In order to compensate for the increase in price of input materials, the company focused on saving costs as much as possible. The percentage of direct labor and depreciation cost compared to total production cost in 2011 was 5.6% down from 6.1% in 2010. The percentages of selling expense of net revenue and general administration expense of net revenue for Vinamilk decreased to 8.4% and 2.1% respectively in 2011 compared to 9.1% and 2.5% in 2010. The cost cutting activities did not fully offset raw material price increases. Operating profit in 2011 grew at a more modest rate of 30.4% year on year.

Profits from other sources in 2010 were also higher in comparison to 2011. Profits were VND609 billion compared with VND237 billion in 2011. In 2010, Vinamilk realized extraordinary profits earned from the transfer of a coffee factory. In addition, some corporate income tax incentives also expired resulting in profit after tax of Vinamilk rose 16.6%. The ratio of profit after tax to total revenue in 2011 representing a decrease of 19.1%.

FINANCIAL ANALYSIS

Assets and capital resources

By late 2011, total assets of Vinamilk increased sharply to VND15,583 billion or an increase of VND4,810 billion from the beginning of the year. This represented an increase of 44.6%. Current assets increased by VND3,548 billion or an increase of 60% while non-current assets increased by VND1,262 billion or 26%.

Of the current assets, cash and cash equivalents saw the strongest growth. As of 31 December, 2011, the company had VND3,597 billion in cash and cash at banks which is an increase of VND1,377 billion or 62% in comparison to the VND2,219 billion at the beginning of the year. Inventory and trade receivables also increased mainly due to business growth in 2011. Both collection period and inventory period in 2011 were approximately the same as 2010 and are in compliance with the company's policies. Overdue receivables were insignificant and accounted for only 0.1% of total assets. Overdue receivables decreased from VND61 billion in 2010 to VND19 billion in 2011. Most of overdue receivables were those overdue for less than 30 days.

Non-current assets of the company increased thanks to investments in fixed assets, and the expansion of a factory at a cost of VND1,513 billion. Investments in subsidiaries wholly owned by Vinamilk also increased by VND263 billion, with additional capital granted to Vietnam Cows Company Limited. The additional capital increased from VND350 billion

to VND522 billion. Dielac Milk Company Limited increased its capital from VND74 billion to VND165 billion.

As for capital resources, the increase in assets were mostly financed by equity capital. Compared to the beginning of the year, the company's equity capital increased sharply by VND4,513 billion. The increase from VND7,964 billion to VND12,477 billion is equivalent to an increase of 56.7%. The capital surplus from the private placement of 10.7 million shares was VND1,267 billion and the remainder was earned from operating activities in the year. Accounts payable only increased by 10.6% from VND2,809 billion to VND3,105 billion. This was an increase of VND296 billion. The company repaid in full VND568 billion of short-term loans at banks by late 2011. Vinamilk has no bank loans. Equity capital continues to be the main funding source for the company's operating activities. Equity capital accounted for up to 80% of total capital resources and an increase by 6% from 74% at the beginning of the year.

As for cash flows, net cash flows from operating activities in 2011 continued to be positive, reaching VND2,411 billion, increasing by VND392 billion from the amount of VND2,019 billion in 2010.

As for State Budget contribution, in 2011, Vinamilk paid to the State Budget VND2,437 billion, increasing by VND450 billion from the amount of VND1,987 billion in 2010. Vinamilk was among the biggest payers to the State Budget in the past years.

Important financial highlights:

	2010	2011
■ Current ratio	1 : 2.2	1 : 3.2
■ Quick ratio	1 : 1.3	1 : 2.1
■ Total debts / total equity	35%	25%
■ Overdue debts / total revenue	0.4%	0.1%
■ EPS	6,834	7,717
■ Book value	22,556	22,437
■ Gross margin	32.2%	29.9%

The company has a strong and solvent financial position. It is good to have little loans in the context of rapid changes in the financial market and high interest expenses on loans.

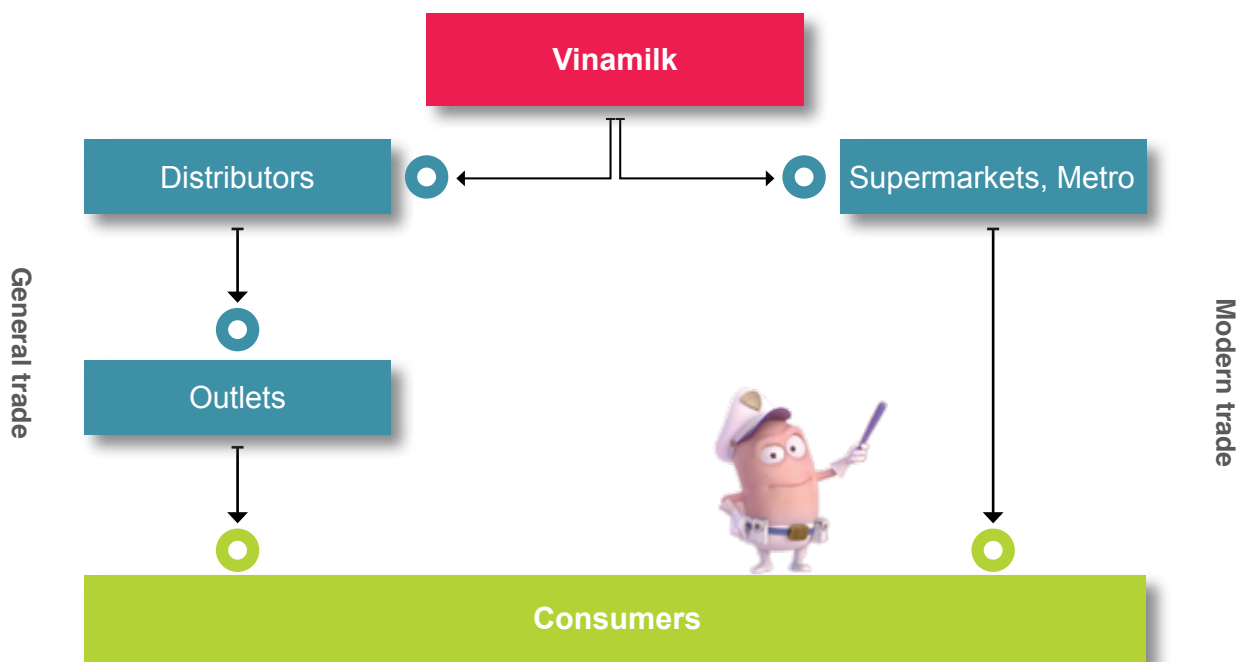
Working capital turnover has always been managed carefully to ensure the most effective use of this capital resource. Doubtful and bad debts were not allowed to happen and inventory was kept at reasonable levels meeting production plans.

Vinamilk has over
178,000
outlets nationwide.

DISTRIBUTION NETWORK:

One of the greatest successes in 2011 is further expansion of the company's distribution system. By the end of 2011, the Company has the coverage of 178,000 retail outlets. The distribution system expansion into rural areas in 2011 was implemented as planned and contributed to the sharp increase in sales rural Vietnam. The distribution system was stabilized in 2011 with the company focusing on retailing. By late 2011, Vinamilk had 232 distributors in all provinces and cities nationwide. In order to improve the company's customer service quality, Vinamilk conducted a customer satisfaction survey with its retail outlets on a quarterly basis in order to receive feedback for further improvements.

Domestic distribution model:



Export Department was noteworthy for its achievement of more than **US\$140 million** or a 67.4% growth of export value in 2011

As for export: Vinamilk exports products to over 16 countries worldwide. Major export markets include countries in the Middle East, Cambodia and the Philippines. In 2011, the Company obtained its first sales orders worth more than US\$10 million from Thailand.

Material zones: In 2011, Vinamilk purchased 144 thousand tons of fresh milk. It was an 11% increase from 2010. Purchases from local residents increased by 8% and purchases from Vinamilk's farms increased by 52%.

By December 2011, the total number of cows of Vinamilk was 61,000, up by 1,100 cows from December 2010. Of these, dairy cows accounted for 49% of the whole herd.

Quality management: All the laboratories at all the factories of Vinamilk obtained ISO 17025 recertification for chemistry and biology. All the 10 operative manufacturing factories of Vinamilk are equipped with environmental management systems certified to meet ISO 14001:2004 standards. The Company always maintains good operation of the ISO Quality Management System and the Hazard Analysis and Critical Control Point (HACCP) System.

Environment and energy saving: In 2011, the Company has established a department in charge of Energy and Environment (in accordance with the Law on Economical and Effective Use of Energy). Average consumption of source water and energy per ton of products in 2011 continued to

decrease significantly from 2010, specifically: electricity – 5.5% decrease, FO oil – 6.9% decrease, source water – 9.7% decrease. In addition, average amount of water treated and discharged to the environment per ton of products decreased by 3.4%. This proved strong and positive effectiveness of Vinamilk's natural resources management and environmental protection policies.

In 2011, the Company also started to launch a plan for using LED lamps in place of the entire high-voltage lighting system at Saigon Milk Factory. This plan will be replicated broadly in the whole manufacturing system of Vinamilk, helping to save 70 - 80% of total consumption of electric energy for lighting at all its factories. Thus, heat generated during operation will be insignificant; no carbon dioxide will be discharged to cause the greenhouse effect; no harmful radiation will be created.

Moreover, wastewater treatment and exhaust fume treatment systems of factories are all certified as meeting effluent and emission standards of Vietnam. Part of treated wastewater is reused for watering, cleaning of factories and used for exhaust fume treatment systems.

EXECUTIVE BOARD'S REPORT

Titles achieved by the Company in 2011

No.	Title	Certifying organization
1	Vietnam High Quality Products	Saigon Tiep Thi Newspaper
2	Vietnam Strong Brand Name	Vietnam Economic Times Newspaper
3	Vietnam Best of the Year	Vietnam Economic Forum
4	Green Enterprise	Saigon Liberton Newspaper
5	Best Annual Report of 2011	Ho Chi Minh City Stock Exchange
6	Top 10 Vietnamese Brands Golden Cup for Application of Science and Technology in 2011	Research Center for Development of Vietnamese Brands
7	Trusted Brand 2011	Vietnam Trade Promotion Agency
8	Top 1,000 corporate income tax payers (ranked 22nd)	VN500
9	Top 200 Vietnamese private enterprises paying corporate income tax in 2011, Vinamilk was ranked Top 5	Vietnam Report Corporation





In 2011, Vinamilk was honored to welcome State Secretary Dr. Robert Kloos and a delegation of enterprises from the German Federal Republic who visited the head office and factories of Vinamilk.

And then welcomed Deputy Under Secretary for Farm and Foreign Agricultural Services of the United States of America. Michael Scuse to visit Vinamilk's factories.



RESEARCH AND DEVELOPMENT OF PRODUCTS

Looking Back After One Year

In order to meet huge market demands, beside of food quality and safety assurance, Vinamilk always focuses on developing new product lines with purpose of improving people's health and directing consumers towards products useful for physical and mental development, especially for children.



Pasteurized milk product formula ADM+ on the production line of the Saigon Milk Factory



Vinamilk has great successes in product research and development for recent years. In 2011, Vinamilk launched a series of new various products such as: sterilized milk with micro-nutrients ADM+, sugar-free yoghurt, Vfresh Aloe Vera drinks (green tea and grape juice), Dielac Pedia for babies, etc. Among those products, two products of ADM+ and Dielac Pedia have obtained outstanding successes in terms of production volume and revenue and received recommendation from consumers.

In February 2011, Vinamilk launched the product line named Sterilized milk with micro-nutrients ADM+, including three kinds: sugared, strawberry-flavored and chocolate-flavored. Formulas of these products were developed based on figures researched by the Vinamilk Nutritional Research and Products Development Center and the National Institute of Nutrition on the nutrition status and the body type of Vietnamese children. In addition to providing basic nutrients, the sterilized milk ADM+ provides important micro-nutrients for the full development of young children such as: Calcium, Vitamin A, Vitamin D3, Magnesium, Manganese and Zinc. Therefore, these products are an ideal source of nutrition for physical development and eyesight

improvement for Vietnamese children and the Vietnamese people in general.

In March 2011, Vinamilk signed the international cooperation agreements on research and nutritional science application to develop nutritious products for Vietnamese children only with 3 leading European partners specializing in research, development and application of micronutrient science and microbiology, DSM Group Switzerland, Lonza Company – Switzerland, and Chr. Hansen Group – Denmark

The first result of this cooperation is a special nutritional product for anorectic and malnourished children: Dielac Pedia. This product applied the newest microbial fermentation technology. The combination of good bacteria BB-12™ & LGG™ and dissolvable celluloses Inulin & FOS (Fructo-Oligosaccharides) helps increasing number of good bacteria in intestines, strengthening alimentary system of children for their better absorb nutrients.

In addition, Dielac Pedia provides the most absorbable nutrients to children like: essential amino acids from milk proteins and soya bean proteins; absorbable fat quickly transformed into energy thanks to addition of MCT (medium-chain triglycerides) and L-Carnitine. Furthermore, the product also contains Cholin, DHA, Taurin which are necessary for physical and mental development of children. Vitamins and minerals in this product satisfies the Vietnamese RNI recommendations. Its micro-nutrients like Zinc, Group B Vitamins, Lysine, etc. helps improving children's appetite.



The signing international cooperation ceremony between Vinamilk and European partners

On-going revenue growth of Dielac Pedia since its launching in March 2011 initially proved its positive effect in improving anorexia in children, the company's success in research and development of new products.

Beside of new products, Vinamilk keeps researching to increase the product value, quality and manufacturing technology in order to satisfy the consumers' needs more. The typical sample for this research is the mini-test of assessment of efficiency of Vinamilk Calcium product in preventing osteoporosis.

The Vinamilk Nutritional Product Research Development Center conducted experiments on 77 volunteers who were aged 35-65 and have not had diseases related to calcium absorption and bone remodeling. These volunteers were divided into 2 groups: Group SB – daily drinking 2 200ml glasses of Vinamilk calcium milk powder; and Group ST – daily drinking two 180ml packs of sugar-free sterilized fresh milk. The effect of the product was assessed based on the marker of bone resorption of volunteers before and after two months products using.

The bone resorption index significantly decreased after two months for both groups, but it was clearer at group of volunteers drinking Vinamilk Calcium product. Specifically, the bone resorption decrease in women of group SB was 38% compared with 13.7% in group ST; in men of both groups was down 28.3% and 11.4% respectively (figure 3).

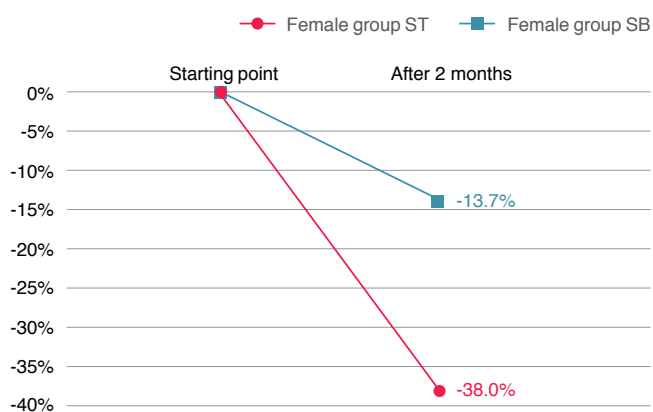
Based on the significant decrease of bone resorption rate after two months' use of the product, it could be concluded that drinking 2 glasses of Vinamilk Calcium a day will effectively helps preventing osteoporosis and maintaining a healthy bone system.

In 2012, Vinamilk will continue to aim at product quality improvement and diversification with various types and flavors in order to satisfy the various consumers' tastes.

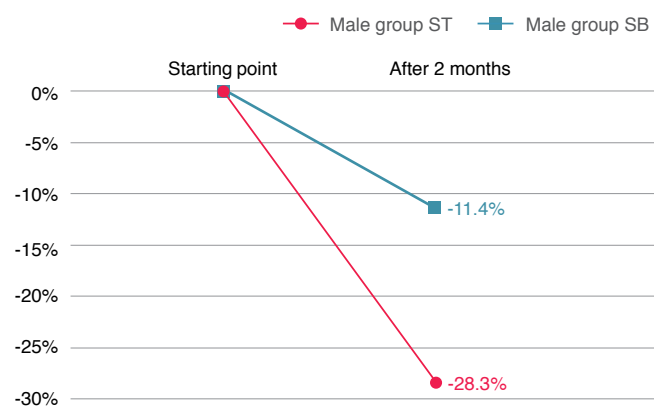
With the philosophy of leading in developing products and technology to meet customers' needs with reasonable prices and optimum expenses, Vinamilk is always confident in enhancing people's health by the company's safe, diversified and high quality products.



Reduction index of female osteoporosis (CTx)



Reduction index of male osteoporosis (CTx)



Decrease of bone resorption (CTx) of volunteers after 2 months' use of Vinamilk Canxi (group SB)



GREEN COMMUNITY TO IMPROVE THE LIFE VALUE

CORPORATE GOVERNANCE

Corporate Governance Report
Risk management
Investor relations

The corporate governance is one of the key factors for the sustainable growth of Vinamilk for past years. The Vinamilk's corporate governance is more and more professional. A part from the compulsory contents required by the local laws and regulations, Vinamilk consistently exercises international standards and best practices for Corporate Governance as well.

A. MATTERS ON THE BOARD OF MANAGEMENT (‘THE BOARD’) CONDUCT OF AFFAIRS

Responsibility of the Board

Vinamilk is headed and managed by an effective Board. The Board is collectively responsible for setting the strategic vision, direction, and long term goals of the Company.

The Board is responsible for the selection, appointment and annual appraisal of the Chief Executive Officer's performance.

The Board emphasizes five core values: Integrity, Respect, Fairness, Compliance and Ethics. These core values are the keys to the Company's image and reputation.

The Board works closely with the company's Management to achieve these core values and the Management takes responsibility for reporting and explaining to the Board.

Size of the Board

The current Board includes 5 members and is appropriate for the management on the current scope of Vinamilk's operations. The current size is sufficient to provide a diversity of views to be represented on the Board, while also allowing efficiency and encouraging active dialogue among its members.

Term of appointment

The Board's members have the maximum term of five years. The list of the Board members is submitted to the Shareholders' Meeting for reelection and re-appointment at general meeting of shareholders or at least once every five years. The Company's charter also requires that one-third of the Board members should be re-appointed on each annual Shareholders' Meeting. In this respect, Ms Mai Kieu Lien and Ms Ngo Thi Thu Trang from the Board of Management, and Mr Nguyen Anh Tuan from the Inspection Committee, has been re-elected for the period 2007 – 2011 in the annual Shareholders' Meeting held in March 2011.

The Board of Management and Inspection Committee for the new period 2012 – 2016 will be elected at the annual Shareholders' Meeting to be held in March 2012.

Delegation of authority on certain matters

To facilitate effective management, certain functions have been delegated by the Board to its various Board's Committees as set below:

- Nomination Committee
- Remuneration Committee
- Audit Committee

These Board's Committees operate under clearly defined principles and practices. Every Board member can obtain independent advices from these Committees and give independent judgment when making decisions.

Chart of Authority

The Company has adopted a Chart of Authority, which sets out the levels of authority for each position, including those that requires the Board approval.

Meetings and Attendance

The Board conducts its meeting on a quarterly basis during the year. The extraordinary meetings are convened when circumstances required. Meetings can be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. Each Board member can ask for independent advices and give their independent judgments for making decisions. The members of the Inspection Committee are also informed and invited to attend the meetings of the Board.

The attendance record of Board meetings held during the fiscal year ended 31 December 2011 is set out in the table below:

Ord	Full name	Number of meetings	Number of attendance
1	Ms Mai Kieu Lien	4	4/4
2	Ms Ngo Thi Thu Trang	4	4/4
3	Mr Hoang Nguyen Hoc	4	4/4
4	Mr Le Anh Minh	4	4/4
5	Mr Wang Eng Chin	4	4/4

Key contents of the BoM meetings as follows:

Meeting	Number of attendance	Key content
Meeting 1 21 Jan 2011	5/5 Supervisory: 3 IC members	<ul style="list-style-type: none"> Reviewed the business performance 2010 Reviewed the business plan 2011 in order to submit to the Shareholders' Meeting for final approval Prepared for organization of the Shareholders' Meeting 2011 Approved the employee list for Employee Share Ownership Plan (ESOP) based on the business performance 2010 Reviewed the issue of bonus share to the existing shareholders to submit the Shareholders' Meeting Approved the ESOP issue in 2011 on the occasion of 35th establishment anniversary Approved the working schedule of the Board for 2011
Meeting 2 27 April 2011	5/5 Supervisory: 3 IC members	<ul style="list-style-type: none"> Reviewed the financial results of quarter I/2011 and its business plan for quarter II/2011 Approved the ESOP status for 2011 based on the plan approved by the Shareholders' Meeting and approved the list of 4,402 employees for that ESOP plan Approved the remuneration, bonus for the Chief Executive Officer in 2011 Approved the change of address of Corporate and of two subsidiaries: Vietnam Dairy Cow One Member Co., Ltd and International Real Estate One Member to new location at 10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City.
Meeting 3 29 Jul 2011	5/5 Supervisory: 2 IC members	<ul style="list-style-type: none"> Reviewed the financial results for the first 6 months and business plan for quarter III/2011 Approved the interim dividend payment: 20% of par value Approved the plan to take the land in Tay Ninh for developing the cow farm
Meeting 4 31 Oct 2011	5/5 Supervisory: 3 IC members	<ul style="list-style-type: none"> Reviewed the financial results for the first 9 months and business plan for quarter IV/2011 Approved the growth target for 2012 and strategic plan 2012-2016 Approved the last day for issue of bonus share for the existing shareholders based on the Shareholders' Meeting authorization 2011 Approved for amendment of the business certificate of the subsidiaries to be aligned with its corporate certificate Approved the amendments and adjustments for the investment status.

During the year, the Board has also issued the following resolutions:

Ord	Reference	Date	Key content
1	01/NQ-TS.HĐQT/2011	21 Jan 2011	Approved the bonus share issue for existing shareholders, new issue of 3% to the public and 1% ESOP for 2011, then submit to the Shareholders' Meeting for final approval
2	02/NQ-CTS.HĐQT/2011	21 Jan 2011	Results of the Board's meeting on 21 Jan 2011
3	03/NQ-CTS.HĐQT/2011	27 Apr 2011	Approved the ESOP Status for 2011
4	04/NQ-CTS.HĐQT/2011	27 Apr 2011	Results of the Board's meeting on 27 Apr 2011
5	05/NQ-CTS.HĐQT/2011	29 Jul 2011	Results of the Board's meeting on 29 Jul 2011
6	06/NQ-CTS.HĐQT/2011	31 Oct 2011	Results of the Board's meeting on 31 Oct 2011

Board Composition and Structure

The Board comprises three non-executive members. No one individual or a small group of individuals may have undue influence over the Board's decision making.

Board of Management comprises the following members:

■ Ms. Mai Kieu Lien	: Chairwoman
■ Ms. Ngo Thị Thu Trang	: Member
■ Mr. Hoang Nguyen Hoc	: Member
■ Mr. Le Anh Minh	: Member
■ Mr. Wang Eng Chin	: Member

The personal profiles of these members are presented on page 24-25 of this annual report.

The Board of Management has a balanced composition of members who have in-depth experience in business, finance, accounting and business management. The objective judgment of the independent director of the Board on corporate affairs and the work experience and contribution are invaluable to Vinamilk.

Chairwoman and CEO

The Chairwoman concurrently holds the position of Chief Executive Officer. This appointment was approved at the Annual General Shareholders Meeting. The chairwoman leads the Board, ensures effective communication with shareholders, encourages constructive relations between the Board and the Management, as well as promotes high standards of corporate governance.

Board Membership

Vinamilk maintains a formal and transparent process for the appointment of new Board members. Any appointment of a new member must undergo a formal selection process: the Board proposes new members and submits the list of new members for approval at the earliest Shareholders Meeting.

Board Performance

The company maintains a formal assessment on the performance efficiency of the Board especially contribution of each member in particular.

Access of Information

Board members are provided with adequate and timely information related to the Company on an on-going basis to enable them to carry their duties.

The Executive Board provides adequately and timely information as well as reviews Vinamilk's performance prior to the Board meetings. The Board has a separate and independent access to Vinamilk information from senior management and the Board Secretaries if they have any queries on the operations.

A notice of meeting, which contains an agenda, is delivered to the Board prior to each meeting. The Board Secretaries attend all Board meetings and are responsible for ensuring that the meeting is held in line with the procedures and regulations.

The board of executive:

- Mr. Nguyen Thanh Tu
- Ms. Le Quang Thanh Truc

When proposing remuneration levels, the Remuneration Committee takes into consideration the payment levels and the positions in the same industry and in comparable companies, the relative performance of Vinamilk in general and of the individual Board member and key executive officers in particular.

B. REMUNERATION MATTERS

Remuneration Policy

The Remuneration Committee reviews and recommends to the Board an appropriate and competitive remuneration policy. A formal and transparent procedure is applied to determine the remuneration of each member of the Board of Management and the Executive Board. No members can make decision on their own remuneration.

Composition of the Remuneration Committee:

■ Mr. Hoang Nguyen Hoc	: Head of the Committee
■ Ms. Ngo Thi Thu Trang	: Member
■ Mr. Le Anh Minh	: Member

The Remuneration Committee recommends to the Board for endorsement of remuneration for each Board member, Chairwoman and Chief Executive Officer.

Remuneration level and structure

The level of remuneration should be appropriate for the purposes of attracting, keeping and motivating the Board members and the Directors, who lead Vinamilk. Remuneration is based on corporate and individual performance.

When proposing remuneration levels, the Remuneration Committee takes into consideration the payment levels and the occupations in the same industry and in comparable companies, the relative performance of corporate performance, of each individual Board member and key executive officers. The remunerations to the Board of Management and the Inspection Committee are approved by the Vinamilk's Annual General Meetings.

The allowances of the Board of management, Inspection Committee and Company's secretaries for 2011 approved by the Shareholders' Meeting was VND4.7 billion. This amount has been exactly paid during the year.

Disclosure of Remuneration

Remuneration of the members of the Board of Management and the Executive Board is disclosed annually.

This enables investors to understand the relation between remuneration of Directors, key executives and their performance.

Remuneration level			Salary	Bonus	Remuneration	Total
BOARD OF MANAGEMENT						
Ms	Mai Kieu Lien	(*)	28%	68%	4%	100%
Ms	Ngo Thi Thu Trang	(**)	41%	47%	12%	100%
Mr	Hoaang Nguyen Hoc		-	-	100%	100%
Mr	Le Anh Minh		-	-	100%	100%
Mr	Wang Eng Chin		-	-	100%	100%

(*) : Chairwoman cum Chief Executive Officer; (**) : Board Member cum Executive Director Finance

EXECUTIVE BOARD

Mr	Tran Minh Van		56%	44%	-	100%
Ms	Nguyen Thi Thanh Hoa		46%	54%	-	100%
Ms	Nguyen Thi Nhu Hang		59%	41%	-	100%
Ms	Nguyen Huu Ngoc Tran		62%	38%	-	100%
Mr	Pham Phu Tuan		62%	38%	-	100%
Mr	Nguyen Quoc Khanh		57%	43%	-	100%

C. ACCOUNTABILITY AND AUDIT

Accountability

The Board of Management is accountable to the shareholders while the Executive Board is accountable to the Board of Management. The Board of Management should present a balanced and comprehensive assessment of Vinamilk's position and prospects in the annual reports and other reports such as interim reports to State authorities in line with the enterprise laws and regulations.

The Board of Management holds quarterly meetings to review corporate performance. The detailed and summary financial statements submitted quarterly to Ho Chi Minh City Stock Exchange (HOSE). An Annual Shareholders Meeting is held every year to obtain shareholders' approval on the business goals.

Inspection Committee

The Inspection Committee operates in accordance with written regulations and principles, which clearly set out its authority and duties. This Board is responsible to review the scope of works and results of the internal and external audit, cost-efficiency, material issues on the financial statements, and adequacy of the internal control system, as well as the efficiency of the internal audit function.

The Instruction 11.8 announced the member names and operations of Inspection Committee

The Inspection Committee has three members and are appointed at the Shareholders Meeting for a term of five years. The current term is from 2007 to 2011. All the members of the Inspection Committee are not employees of Vinamilk.

- Ms. Nguyen Thi Tuyet Mai : Head of the Inspection Committee
- Mr. Nguyen Trung Kien : Member
- Mr. Nguyen Anh Tuan : Member

The new Inspection Committee will be elected at the Annual Shareholders' Meeting to be held in March 2012.

Members of the Inspection Committee have qualified capacity and competence to discharge their responsibilities. They also should possess professional qualifications and experiences on accounting and financial management.

The Inspection Committee has the authority to investigate any matters within their responsibilities, has full access to and work of the Board of Management as well as has full discretion to invite any Director or executive officers to attend meetings. It has reasonable resources to enable it to discharge its functions properly.

Annually, and as deemed appropriate, the Inspection Committee works with the internal and external auditors, without the presence of the Executive Board.

The Inspection Committee considers the independence and objectivity of the external auditors and recommends to the Board of Management the nominees of the external auditors for re-appointment. The Inspection Committee reviews the level of non-audit services provided by the external auditors to ensure that their independence as external auditors of the company is not compromised.

Internal Audit

The Board of Management should ensure that the Executive Board maintains a comprehensive and complete internal control system to protect the company's assets and shareholders' investments.

The Board of Management and the Inspection Committee review the effectiveness of the key internal control instruments to ensure timely and necessary corrective actions are taken. There are formal procedures in place for both internal and external auditors to report their independent conclusions and recommendations to the Board of Executive Directors and the Inspection Committee.



D. INFORMATION ON SHARES AND SHAREHOLDERS

As at 31 December 2011, the Company's share capital is as follows:

■ Share capital	:	VND5,561,147,540,000
■ Number of listed shares	:	556,114,754 shares
■ Number of outstanding shares	:	555,867,614 shares
■ Treasury shares	:	247,140 shares
■ Face value per share	:	VND10,000

Shareholder structure	31/12/2010	31/12/2011
State Capital Investment Corporation (SCIC)	47.30%	45.04%
Foreign shareholders	46.00%	48.99%
Local shareholders (excluding SCIC)	6.70%	5.97%
	100.00%	100.00%

Transactions of the internal shareholders, major shareholders and their related parties:

Transactionss of shares:

- Trading of the internal shareholders: Nil
- Trading of the internal shareholders' related parties: Nil

Other transactions: (transaction of the internal shareholders, major shareholders and their related parties with the Company):

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 the Chief Executive Officer's recommendation, has 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.

During 2011, 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.

During 2011, the Board of Management and Inspection Committee has declared their related parties in due time according to Vinamilk internal policy.

GREEN AWARENESS OF ENVIRONMENT VALUE

Changes in ownership rate of internal shareholders		31/12/2010	31/12/2011	Changes
Board of Management				
1	State Capital Investment Corporation (SCIC) (Represented by: Ms Mai Kieu Lien 33.33%, Ms Ngo Thi Thu Trang 33.33% and Mr Hoang Nguy ê n Hoc 33.34%)	47.2969%	45.0425%	-2.2544%
2	Ms Mai Kieu Lien (personal)	0.1860%	0.2716%	0.0855%
3	Ms Ngo Thi Thu Trang (personal)	0.0657%	0.0823%	0.0166%
4	Vietnam Enterprise Investments Limited (Represented by: Mr Le Anh Minh)	2.4564%	2.3393%	-0.1171%
5	Grinling International Limited (Represented by: Mr Le Anh Minh)	0.8792%	0.8373%	-0.0419%
6	Amersham Industries Limited (Represented by: Mr Le Anh Minh)	2.4700%	2.3522%	-0.1177%
7	F&N Dairy Investments Pte Ltd (Represented by Mr Wang Eng Chin	10.0083%	9.5313%	-0.4770%
Inspection Committee				
8	Mr Nguyen Anh Tuan	0.0000%	0.0000%	0.0000%
9	Mr Nguyen Trung Kien	0.0028%	0.0027%	-0.0001%
10	Ms Nguyen Thi Tuyet Mai	0.0030%	0.0028%	-0.0001%
Executive Directors				
11	Ms Mai Kieu Lien (as above)			
12	Ms Ngo Thi Thu Trang (as above)			
13	Ms Nguyen Thi Nhu Hang	0.0401%	0.0539%	0.0138%
14	Ms Nguyen Thi Thanh Hoa	0.0462%	0.0638%	0.0176%
15	Mr Tran Minh Van	0.0332%	0.0504%	0.0172%
16	Ms Nguyen Huu Ngoc Tran	0.0091%	0.0253%	0.0162%
17	Mr Pham Phu Tuan	0.0077%	0.0247%	0.0170%
18	Mr Nguyen Quoc Khanh	0.0105%	0.0285%	0.0180%
Chief Accountant				
19	Le Thanh Liem	0.0126%	0.0174%	0.0048%
Changes in ownership of major shareholders		31/12/2010	31/12/2011	Changes
1	State Capital Investment Corporation (SCIC)	47.2969%	45.0425%	-2.2544%
2	F&N Dairy Investments Pte Ltd	10.0083%	9.5313%	-0.4770%

Note:

The change of the ownership ratio of the foreign and major shareholders is mainly due to the adjustment of the foreign ownership limit. In 2011, the Company decided to cancel its listing plan in Singapore and adjust the foreign ownership limit from 46% up to 49%, which was approved the State Securities Commission by the official letter No. 759/UBCK-PTTT, dated 18 March 2011. The change of other internal shareholders was due to ESOP issue.

E. THE CODE OF CONDUCTS

Vietnam Dairy Products Joint Stock Company – VINAMILK has been confirmed its position and brand on the market for years and become the symbol of “Vietnam’s Trust” for its nutritious, healthy products. In reply to consumers’ support and moreover, Vinamilk understands our mission: “Vinamilk commits to bring best-quality nutrition to communities that reflects our respect, love and responsibility for the people, life and society”- that we must act with the highest responsibility and with the best code of conduct. That is the reason why Vinamilk developed and issued our Code of Conduct in January, 2010.

The Code of Conduct is our commitment for highly appreciating the Integrity, enhancing the Respect, ensuring the Fairness, maintaining the Compliance and esteeming the Ethics. The core values and commitments set out in this Code of Conduct will reflect our talents and professionalism, which create a distinguished view on Vinamilk from its consumers, partners, shareholders employees and the public.

The basic commitments in Vinamilk’s Code of Conduct are:

■ **To Laws:**

We always comply with the Laws of Vietnam and with laws in any country where we operate.

■ **To Customers, Consumers:**

We commit to provide a diversified product portfolio and services with the best quality, competitive price and we are always honest in all transactions.

■ **To Shareholders:**

We are continuously improving the considerable value to the shareholders by using and protecting effectively Vinamilk’s resources while complying strictly our ethics and laws in doing business.

■ **To Employees:**

We treat all employees fairly and respectfully. We create fair opportunities for every one, build and maintain a safe, friendly and an open working environment.

■ **To Suppliers, Partners:**

We will respect and fair in all transactions with our suppliers and partners. We also respect a long term relationship on the basis of mutual trust, transparency and benefits.

Please visit our website at <http://www.vinamilk.com.vn/?vnm=boquytac> for the full set of our Code of Conduct.



2011 was the second year that Vinamilk has integrated and operated a risk management system into its business activities. Ups and downs with full of difficulties and challenges as well as prides of significant business successes help increase the Company's value. On the basis of the foundation improved in 2011, great challenges and promises are open to risk management activities in 2012.

A risk management system has been in place at Vinamilk

The company's risk management system has been operated and upgraded in various aspects:

- Firstly, it was the increase in accountability of risk owners, responsibilities for supervision, assessment, and assurance of implementation of risk management at the company.
- Secondly, it was the finalization of risk control and management framework following to Risk Management Policies & Procedures, and risk assessment processes, relevant reports and guidelines.
- Thirdly, it was the establishment of key success criteria: criteria and parameters system, risk assessment areas , risk assessment methods and techniques.
- Fourthly, it was the risk awareness workshops to all managers' levels and enhancement of risk assessment skills in each business area.
- Fifthly, it was the connection between the Risk Management Team and the Coordination Team in operating the risk management system continuously and effectively.

Consistent direction of risk management

Being confident in its defined risk management strategy, Vinamilk determined that risk management must always be aligned with international standards in order to keep up with advanced management models in the world but adjust to the current company status. Risk management has become a part of the company culture, and gives important contributions to the decision-making process, especially in strategic decisions aiming at improving investment value for the shareholders.

Activities performed in 2011

2011 was one of years that marked the official operation of risk management system. There were some key activities performed in year 2011:

- Risk control activities were implemented at various levels, from departments, divisions to company level, with periodical and extraordinary risk controls to review risks as well as supervise risk response actions.
- Risk controls were applied in managing of the decision-making process, evaluation of important projects and programs in project management, human resources, production, etc. with major defined risks of product quality, legality, projects.
- Risk control reports were periodically implemented and focused on system operation, risk assessment results in periods, suggestions on enhancing continuous effectiveness of the system.
- Active reviews the risk management implementation process in the company with the support and advice of the implementer Ernst & Young for obtaining a whole view and setting out feasible plans of risk management quality improvement.
- Risk-based audits were continuously conducted by Internal Auditors. It helped strengthen the value of risk management to internal controls.

Plan for the next period

2012 is a year with many challenges for risk management at Vinamilk when its framework has been fully set up and in the context of socio-economic changes. The internationalization and wisdom and expectations of shareholders require higher standard in risk management quality. Thus, Vinamilk is aware of mentioned requirements and has very clear plans, including:

1. Improving risk control tools, ranging from criteria, parameters to methods and techniques, so that all the different business areas of the Company will be totally measured based on effective indices provided by actual data from available methods and techniques.
2. Establishing a multi-purposed control dictionary to assist risks assessing and connecting all separate elements of risk management into a unique system. It is a correlation environment of use of controls to create input data for criteria and parameters as well as methods and techniques of risk assessment.
3. Applying the automatic risk integration framework on a firm platform constituted of ISO 31000 and ISO 31010 standards with the support of criteria and parameters, and advanced risk management software.

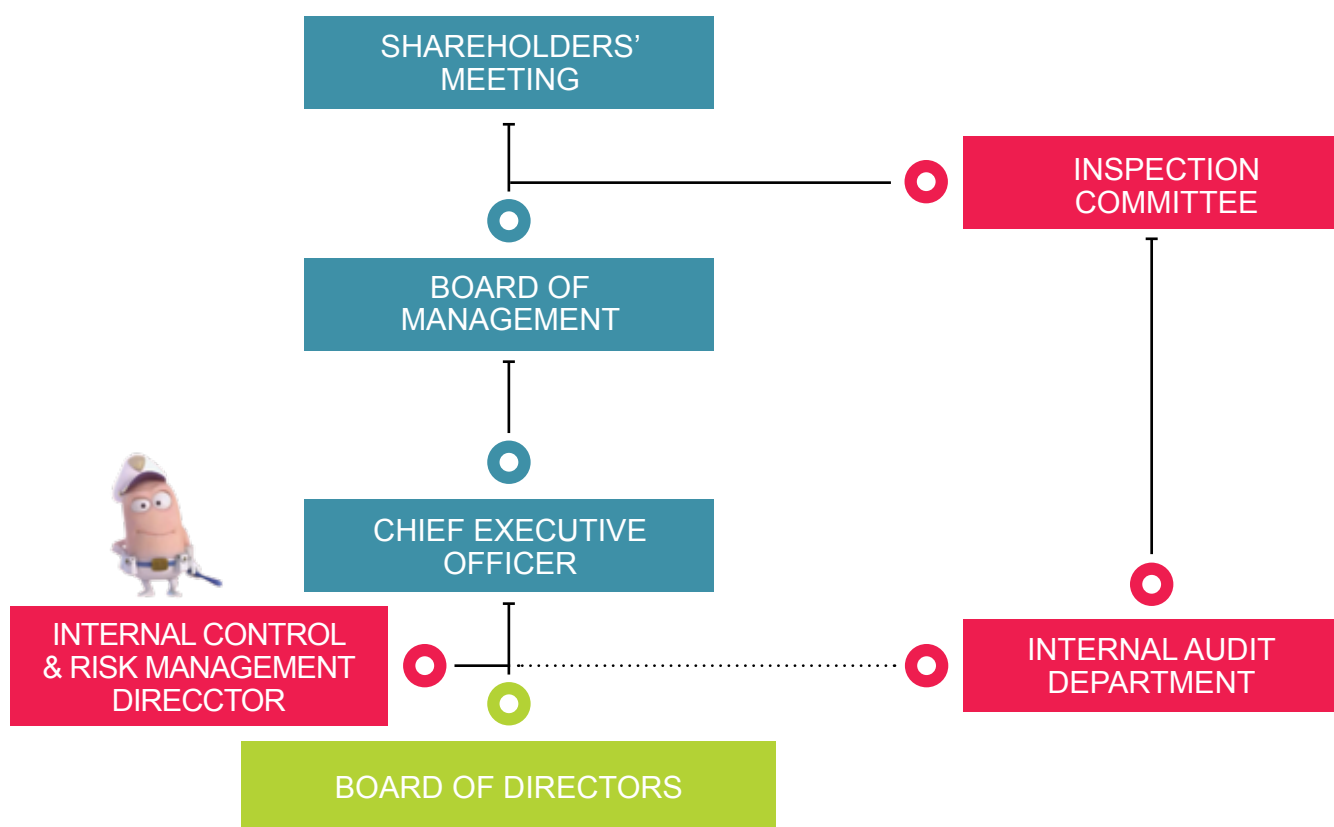
Standardizing the system by integrating ISO 31000 standard into ISO 9001 standard by means of key preparations in terms of infrastructure resources and value created from risk management.

INTERNAL AUDIT

Vinamilk's advance in corporate governance according to international standards

It can be said that the decision on establishment of the Internal Audit department in 2010 marked an important turning point in Vinamilk's internal control activities and bring it in line with international expectations on corporate governance that highlight transparency in the company's business activities.

Before 2010, the internal control function and the internal audit function that assured compliance and effectiveness of the company's internal controls were concentrated on a single section the Internal Control Department. Under the advice of the auditing firm Ernst & Young, the management of Vinamilk decided to separate the audit function and establish a new department called Internal Audit Department. This department is independent from the Internal Control Department which is now renamed as Internal Control and Risk Management Department. The separated audit function would become a positive check and counter-argument tool for all risks identified in the corporate governance process run by the leadership team. In order to ensure independence in audits, the IA department is absolute removed in management activities and focuses on the development of internal controls and risk management activities at Vinamilk. By having a direct reporting framework established between the IA department and the Supervisory Board, maximum independence of the IA department is assured. The goal is to avoid subjective impacts from the leadership team of the Company to audit results.



The leadership team was determined to build a professional and skilled internal audit team from the beginning through using professional consulting services of KPMG Audit Firm to design the corporate organizational chart. With the training and transfer of audit techniques from KPMG consultants, Vinamilk's Internal Audit department was officially put into independent operation in early 2011. The scope of work of the Internal Audit Department is the assessment of risk management, internal controls and corporate governance system that has been designed and implemented in a in order to ensure that:

- Material risks have been identified and controlled properly
- Financial, managerial and operational information is all accurate, reliable and timely
- Employees' behaviors are in compliance with the policies, standards, business processes and prevailing laws
- Resources are acquired and used economically while protected properly
- Programs, plans and objectives are fulfilled

In 2011, based on assessment of company-level risk exposure, the Internal Audit Department conducted audits of six critical management processes including marketing, sale, budget management, human resources management, goods coordination and production norm management. The audit results showed that material risks in audited processes have been closely controlled by the leadership team. During the audits, the Internal Audit Department contributed many recommendations improve the company's internal controls and overall business performance.

The coexistence and close combination between the audit function and the risk management function last year greatly contributed to improving risk management awareness among employees in their daily routines across all departments. From this foundation, in 2012, the Internal Audit Department will further conduct audits of key business processes and expand the scope of their audits to branches and other business units. In addition to checking up on compliance, the Internal Audit Department will also focus on in-depth audits, making further contributions by adding value to the Company's business and production activities.

THE BIGGER THE COMPANY GROWS, THE MORE VINAMILK FOCUSES ON INVESTOR RELATIONS.

The Investor Relations Department (“IR”) of the Company is in charge of receiving and updating information for shareholders while at the same time introducing the Company to potential investors. The Investor Relations Department is responsible for building the image of Vinamilk brand in the marketplace.

During the year, the Investor Relations Department organized over 100 welcoming meetings with investors from large professional securities companies and investment funds from various countries around the world. Many such investors have subsequently become shareholders of Vinamilk.

In addition, the Investor Relations Department participated in presentations to foreign investors like:

- An investor Workshop in Ho Chi Minh City, held by Kim Eng Vietnam Securities Company on 9 September 2011.
- An investor Workshop in Bangkok, Thailand, held by JP Morgan on 18 March 2011. There were five Vietnamese companies participating in this workshop and with fourteen investors making further inquiries about Vinamilk.
- An investment seminar in Singapore, held by Daiwa Securities on 28 July 2011. This was an annual activity for Vietnamese companies to be introduced to foreign investors in Singapore. In 2011, there were 6 large and reputable Vietnamese companies invited to participate in this event and there were 21 investors registering to meet with Vinamilk representatives. Some of these large investors were Daiwa Capital Markets, Janus capital, Fullerton Fund, and Morgan Stanley.

- The biggest event in the year was Vinamilk being invited to the Investment Seminar held by Daiwa Securities in Hong Kong in November 2011. This was the largest investment event in the region with around 200 companies delivering presentations on their companies. Of these, 6 reputable Vietnamese companies were invited to participate. Over 700 investment funds and investors from countries around the world like Singapore, Hong Kong, Europe and North America participated in this event.

The annual general meeting of shareholders and the investor workshops are important communication channel for Vinamilk. The Company continues use other communication channel with shareholders and investors through mail, telephone and the “Questions and Answers” section in the website of the Company.





**Besides the mass media,
information about the activities and
operating results of the Company
is disclosed fully and in a timely
manner on the website of the
Company: www.vinamilk.com.vn**



ENVIRONMENT & COMMUNITY ACTIVITIES

**VINAMILK PROTECTS THE ENVIRONMENT – SAVES
ENERGY – FOR FUTURE GENERATIONS' BENEFITS**



ENVIRONMENT & COMMUNITY ACTIVITIES

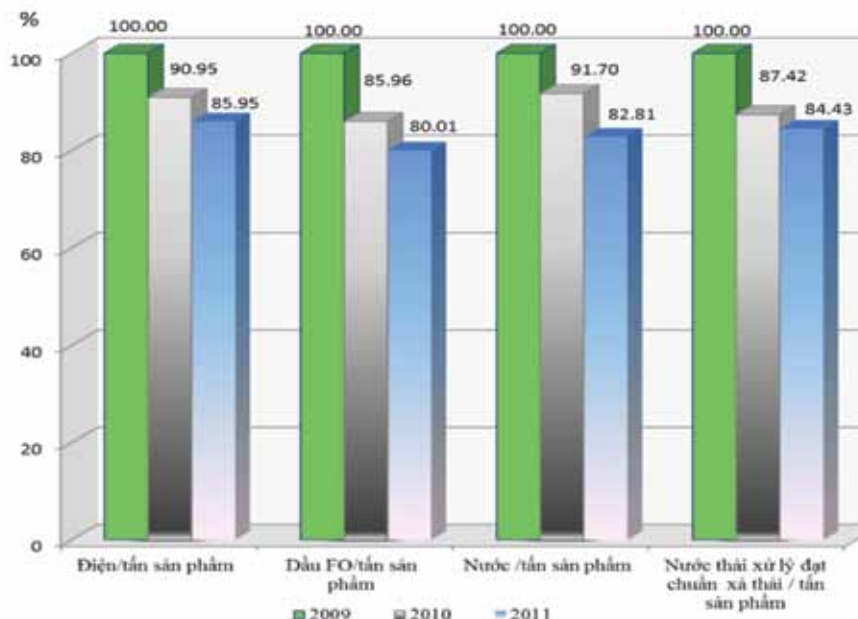


Chart of comparison by percentage of average amount of natural resources used and wastewater per ton of products of Vinamilk in 2009, 2010 and 2011



LED lighting system in a workshop – Saigon Milk Factory

2011 marked outstanding successes of Vietnam Dairy Products Joint Stock Company in both production and business activities. By targeting sustainable development for the benefit of the community, Vinamilk makes continuous efforts to search for solutions to prevent pollution, reduce waste, and increase efficiency in the use of natural resources and fuel in an environmentally friendly manner.

Currently, all the 10 factories of Vinamilk are equipped with an `Environmental Management System certified to meet ISO 14001:2004 standard. This success showed Vinamilk's strong commitment to society and its effort to promote environmental protection.

Following positive results in saving natural resources and energy in 2010, companywide statistic data showed that the average amount of source water and energy consumed per ton of products in 2011 continued to decrease significantly when compared to 2010. The savings are as follows: electricity – 5.50% decrease, FO oil – 6.91% decrease, source water – 9.69% decrease. Additional saving resulted from the average amount of wastewater treated and discharged to the environment per ton of products decreased by 3.41%. This data demonstrates that the company policies on management and use of natural resources to promote environmental protection. Vinamilk continues to improve its efforts through its enforcement and effectiveness.

With continuous research and investigation for energy saving strategies in the application to the company's production activities, the Company launched a plan for using LED lamps in place of the high-voltage lighting system at the Saigon Milk Factory in 2011.



LED lamps last average of 5 - 25 times longer and reduce electricity consumption by 70 – 90% when compared with normal lamps. LED lamps are smaller and do not require special conditions for recycling since LED lamps do not contain hazardous substances such as mercury, lead, and cadmium. LED lamps generate little heat during operation and do not discharge carbon dioxide gas that causes greenhouse effect. They do not generate radioactive rays which are harmful to people's health. The decision to install LED lamps helps to make Vinamilk a friendly green environment.

The strategy is expected to be launched and replicated in the entire manufacturing system of Vinamilk in future. The LED lamp plan will help save the company 70 – 80% of total electricity consumption for lighting in the whole Company.

In order to deserve the trust and respect of customers, partners, shareholders and the community both present and future generations, Vinamilk is committed to complying with laws on environmental protection and continuing to use natural resources conservatively. Vinamilk continues to conduct research to search out solutions to conserve energy and contribute to protection of our green planet.



ENVIRONMENT & COMMUNITY ACTIVITIES

HIGHLIGHTS OF VINAMILK'S COMMUNITY ACTIVITIES IN 2011

In 2011, Vinamilk had outstanding achievements in business activities with revenue reaching over US\$1 billion (VND22,071 billion) an increase of 37% compared to the prior year. It contributed to the State Budget by making payments of VND2,400 billion. Vinamilk also carried out many community activities. Many of these activities have attracted attention from the Communist Party and the State by contributing to improving the company's corporate social responsibility in caring for future generations and their families under preferential treatment policies as well as vulnerable and needy people. Many of the community programs offered by Vinamilk have political significance such as projects that help people at sea or on the islands of Vietnam, and support for tsunami victims in Japan...

Vinamilk – Nurturing young Vietnamese talent

The Scholarship Fund “Vinamilk – Nurturing Young Vietnamese Talent” is an annual program for which Vinamilk is greatly appreciated by the Ministry of Education and Training in socialization of education for the last 8 years. The beneficiaries of the Fund are primary-school pupils nationwide that have earned excellent achievements in studies or are hard working courageous pupils in need.

During the school year 2010 – 2011, the total funds provided by Vinamilk to the Scholarship Fund amounted to nearly VND16,000,000,000 (sixteen billion Vietnamese Dong). The Scholarship Fund granted 1,000 scholarships to 1,000 primary schoolers nationwide with excellent studies achievements. Each scholarship was worth VND1,000,000. The Fund has built libraries in accordance to the standards of the Ministry of Education and Training at various primary schools. It also granted talent scholarships worth VND5 million to winners of the contest “Vinamilk's Got Talent.”

The “Vinamilk's Got Talent” Contest launched across the country has created a good playground for primary school children and was an opportunity for children to show their talents in literature, sport, and fine arts. The program was designed to help parents to discover and understand more about their children and help the children to develop their talent in a proper way.

For higher Vietnam

Coming into existence in 2008 under the leadership of the Children Protection Fund of Vietnam, MOLISA is under the sponsorship of Vinamilk and the Vietnam Never Stops Growing Milk Fund. It targets needy children across the country with a simple yet practical action; hand delivery of nutritious glasses of milk to children to offer them an opportunity of more comprehensive, physical and mental development in order to obtain a brighter future.

During 3 years of implementation, the “Vietnam Never Stops Growing” Milk Fund has made a courageous and enduring journey across the country to bring tasty and nutritious glasses of milk to hundreds of thousands of children with the idea that “All Vietnamese children have the right to drink milk every day.” With its action, the ‘Milk Fund’ wishes to help improve nutritional conditions and maximize physical and mental potentials of Vietnamese children. It also raises the awareness and attracts the society's attention to the development needs of future generations of children of the country.



To date, the 'Milk Fund' has delivered 19 million glasses of milk to children nationwide with at a total value of about VND69 billion.

Ms. Mai Kieu Lien – Chairwoman of the Management Board cum General Director of Vinamilk – the main sponsor of the Milk Fund, said, “After 4 years accompanying the ‘Vietnam Never Stops Growing’ Milk Fund and participating in trips of delivery of milk to needy children in provinces and cities across the country, Vinamilk deeply understands the joy of children in places where we implemented the program. It was simply shown through bright eyes, innocent smiles, small hands of children receiving the milk. We are really happy and moved to see the program’s milk reached the right beneficiaries who need it most. Therefore, we are always willing, and will give our full support, to accompany this highly humane program.”

In-depth community activities

Vinamilk pays attention to sustainable development of social classes, continuing the community-oriented tradition from previous years, and supporting already launched community-oriented programs. Vinamilk always pays great attention to social charity activities by focusing on in-depth activities especially those programs that are targeted at supporting vulnerable people across the country.

In recognition of activities expressing gratitude and commemoration, Vinamilk is now supporting 11 Vietnamese Heroic Mothers for all their lives in Ben Tre and Quang Nam Provinces. On the occasions of the War Invalids and Martyr’ Day, Festivals, Tet Holiday, or when the mothers fall ill, the Company would pay visits and give them presents. This activity has been carried out regularly over the last 15 years and has become part of Vinamilk’s corporate culture.

In 2011, over 4,000 employees of Vinamilk contributed approximately VND1.4 billion to the program “Contributing Stone to Build Truong Sa Islands” in response to the call for support to Truong Sa in protection of the holy sovereignty of the Fatherland. This fund was raised from one day’s salary of the Company’s employees for development of the sea and islands.

For floods victims in the Central Coastal Region in late 2011, Vinamilk sharing the difficulties with homeless people by paying visits to the victims and encouragement them by giving presents worth VND500 million in total to people in the provinces of Quang Nam, Quang Binh and Quang Tri. Vinamilk gave 300 presents in Quang Nam Province, 300 presents in Quang Tri Province and 300 presents in Quang Binh Province. The Vinamilk Charity Team went deep into remote areas like Tra Mi in Quang Nam Province, Le Thuy in Quang Binh Province, and Trieu Phong in Quang Tri Province to deliver presents in person to affected households.



Vinamilk has helped needy people by sending provisions of milk to Que Huong Charity House; visits to orphanages of disabled and street children in Lam Dong Province, Ho Chi Minh City, Kon Tum Province, and Dak Lak Province. These provisions total more than VND40 million to blind people's associations in Dak Lak Province, and Ben Tre Province. The company provided provision of VND20 million to dioxin victims in Quang Tri Province while giving contributions of VND30 million to the 'For The Poor Fund' of Bac Ninh Province. Provision of over VND122 million were given to support cardiac surgery, brain tumor surgery, and myogelosis surgery cases. An additional VND500 million of provisions were offered to the Sponsoring Association for Poor Patients of HCMC in support of cardiac surgery for children. Overall, Vinamilk provided billions of Vietnamese Dong in total to the afore-mentioned activities in 2011.

Vinamilk does not only support the support of domestic people but also provides love and solidarity for international friends. Vinamilk shared difficulties, loss and grief with the Japanese people during their tsunami and earthquake disasters. The General Director of Vinamilk has donated US\$100,000 to the Japanese Consulate General in Ho Chi Minh City to support Japanese victims

Ms. Mai Kieu Lien – General Director of Vinamilk said, "Timely support and encouragement for Japanese people in such difficulties shows Vinamilk's sharing with the world community. This is a traditional cultural beauty of Vietnamese people in general and Vinamilk culture in particular."

Vinamilk's interest in the community over the last years has won the love of its consumers for the Vinamilk brand. It has helped Vinamilk to entrench its position in the Vietnamese market and expand to regions around the world. Vinamilk is proving that the strength of a Vietnamese brand can compete on par with other regional and global brands internationally..





CONSOLIDATED FINANCIAL STATEMENTS

RESULTS OF TIREDLESS EFFORT

**Corporate Information
Statement by Board of Directors
Independent auditor's report
Consolidated balance sheet
Consolidated income statement
Consolidated cash flows statement
Notes to the consolidated financial statements**

CORPORATE INFORMATION

Business Registration Certificate No.	4103001932 dated 20 November 2003 issued by the Planning and Investment Department of Ho Chi Minh City	
	The Business Registration Certificate has been amended several times and its latest amendment no. 0300588569 dated 30 November 2011 was issued by the Planning and Investment Department of Ho Chi Minh City.	
Board of Management	Mdm Mai Kieu Lien Mr Hoang Nguyen Hoc Ms Ngo Thi Thu Trang Mr Wang Eng Chin Mr Le Anh Minh	Chairwoman Member Member Member Member
Board of Directors	Mdm Mai Kieu Lien Ms Nguyen Thi Thanh Hoa Ms Nguyen Thi Nhu Hang Ms Ngo Thi Thu Trang Mr Tran Minh Van Mr Nguyen Quoc Khanh Ms Nguyen Huu Ngoc Tran Mr Pham Phu Tuan	Chief Executive Officer Executive Director - Supply Chain Executive Director Dairy Farm Development Executive Director - Finance Executive Director - Project Acting Executive Director Production and Products Development Acting Executive Director - Marketing Acting Executive Director - Sales
Legal representative	Mdm Mai Kieu Lien	Chief Executive Officer
Registered office	10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City, SR Vietnam	
Auditor	PricewaterhouseCoopers (Vietnam) Limited	

STATEMENT BY BOARD OF DIRECTORS

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

The Board of Directors is responsible for the consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2011 and of the consolidated results and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

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

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable these consolidated financial statements to be prepared which complies with the basis of accounting set out in Note 2 to these consolidated financial statements. We are also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 47 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2011, and of the consolidated results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

On behalf of the Board of Directors



Mai Kieu Lien
Chief Executive Officer

Ho Chi Minh City, SR Vietnam
28 February 2012



We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together "the Group"), which were approved by the Board of Directors on 28 February 2012. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2011, the related consolidated income statement and cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 71 to 113.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2011, and its consolidated financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



Ian S. Lydall
AC No. N.0559/KTV
Chairman

Quach Thanh Chau
AC No. N.0875/KTV

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM3016
29 February 2012

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and consolidated results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

CONSOLIDATED BALANCE SHEET

Form B 01 – DN/HN

Code	ASSETS	Note	As at 31 December	
			2011 VND	2010 VND
100	CURRENT ASSETS		9,467,682,996,094	5,919,802,789,330
110	Cash and cash equivalents	3	3,156,515,396,990	613,472,368,080
111	Cash		790,515,396,990	249,472,368,080
112	Cash equivalents		2,366,000,000,000	364,000,000,000
120	Short-term investments	4(a)	736,033,188,192	1,742,259,762,292
121	Short-term investments		815,277,431,792	1,812,917,431,792
129	Provision for diminution in value of short-term investments		(79,244,243,600)	(70,657,669,500)
130	Accounts receivable		2,169,205,076,812	1,124,862,162,625
131	Trade accounts receivable	5	1,143,168,467,855	587,457,894,727
132	Prepayments to suppliers		795,149,182,591	354,095,973,554
135	Other receivables	6	232,805,433,796	183,904,850,455
139	Provision for doubtful debts		(1,918,007,430)	(596,556,111)
140	Inventories	7	3,272,495,674,110	2,351,354,229,902
141	Inventories		3,277,429,580,780	2,355,487,444,817
149	Provision for decline in value of inventories		(4,933,906,670)	(4,133,214,915)
150	Other current assets		133,433,659,990	87,854,266,431
151	Short-term prepayments	8(a)	56,909,099,519	38,595,473,073
152	Value Added Tax to be reclaimed		74,772,661,634	16,933,368,421
158	Other current assets		1,751,898,837	32,325,424,937

The notes on pages 71 to 113 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET (continued)

Form B 01 – DN/HH

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

CONSOLIDATED BALANCE SHEET (continued)

Form B 01 – DN/HN

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

OFF BALANCE SHEET ITEMS

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

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



Le Thanh Liem
Chief Accountant



Ngo Thi Thu Trang
Executive Director - Finance



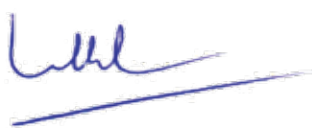
Mai Kieu Lien
Chief Executive Officer
28 February 2012

The notes on pages 71 to 113 are an integral part of these consolidated financial statements

CONSOLIDATE INCOME STATEMENT

Form B 02 – DN/HN

Code		Note	For the year ended 31 December	
			2011 VND	2010 VND
01	Sales		22,070,557,490,766	16,081,466,183,586
02	Less deductions		(443,128,597,657)	(328,600,184,161)
10	Net sales	23(a)	21,627,428,893,109	15,752,865,999,425
11	Cost of sales	24	(15,039,305,378,364)	(10,579,208,129,197)
20	Gross profit		6,588,123,514,745	5,173,657,870,228
21	Financial income	23(b)	680,232,453,133	448,530,127,237
22	Financial expenses	25	(246,429,909,362)	(153,198,613,988)
24	Selling expenses	26	(1,811,914,247,629)	(1,438,185,805,872)
25	General and administration expenses	27	(459,431,997,199)	(388,147,124,772)
30	Operating profit		4,750,579,813,688	3,642,656,452,833
40	Net other income	28	237,226,032,153	608,785,500,303
41	Share of associate's result		(8,813,950,770)	(234,529,528)
50	Net accounting profit before tax		4,978,991,895,071	4,251,207,423,608
51	Business income tax - current	29	(778,588,561,106)	(645,058,588,114)
52	Business income tax - deferred	29,12	17,778,374,972	9,344,103,477
53	Loss attributable to minority interest		-	693,010,209
60	Net profit after tax		4,218,181,708,937	3,616,185,949,180
70	Basic earnings per share (VND)	30	7,717	6,834



Le Thanh Liem
Chief Accountant



Ngo Thi Thu Trang
Executive Director - Finance



Mai Kieu Lien
Chief Executive Officer
28 February 2012

CONSOLIDATED CASH FLOWS STATEMENT

Form B 03 – DN/HH

(Indirect method)

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

The notes on pages 71 to 113 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOWS STATEMENT (continued)

Form B 03 – DN/HN

(Indirect method)

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



Le Thanh Liem
Chief Accountant



Ngo Thi Thu Trang
Executive Director - Finance



Mai Kieu Lien
Chief Executive Officer
28 February 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Form B 09 – DN/HN

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2011**
1 GENERAL INFORMATION

Vietnam Dairy Products Joint Stock Company (“the Company”, or “Vinamilk”) was initially established as a State Owned Enterprise under the control of the Ministry of Industry of the Socialist Republic of Vietnam (“SR Vietnam” or “the State”) in accordance with Decision No. 420/CNN/TCLD dated 29 April 1993. On 1 October 2003, the Company was equitised following Decision No. 155/2003/QĐ-BCN issued by the Ministry of Industry. On 20 November 2003, the Company was incorporated as a joint stock company under the Law on Enterprises of SR Vietnam according to Business Registration Certificate No. 4103001932 issued by the Planning and Investment Department of Ho Chi Minh City. The Company was subsequently listed on the Ho Chi Minh City Stock Exchange on 19 January 2006 according to the Listing Licence No. 42/UBCK-GPNY dated 28 December 2005 issued by the State Securities Commission.

On 20 August 2010, the Planning and Investment Department of Ho Chi Minh City issued the amended Business registration Certificate No. 0300588569 approving the increase in share capital to 3,530,721,200 thousand Vietnamese Dong.

On 19 April 2011, the Planning and Investment Department of Ho Chi Minh City issued another amended Business Registration Certificate No. 0300588569 approving the change in the Company’s registered office and the increase in owners’ capital to 3,565,706,400 thousand Vietnamese Dong.

On 23 August 2011, the Planning and Investment Department of Ho Chi Minh City issued another amended Business Registration Certificate No. 0300588569 approving the increase in owners’ capital to 3,708,255,500 thousand Vietnamese Dong.

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

In December 2011, the Company increased the share capital to 5,561,147,540 thousand Vietnamese Dong by issuing bonus shares to existing shareholders at ratio 2:1 as approved by the relevant authorities. At the date of approval of the financial statements, the Company has not completed the registration for amended Business Registration Certificate for the increase in share capital.

The principal activities of the Company are:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
- Trading in food technology, spare parts, equipment, materials and chemicals;
- Trading in houses, brokerage and leasing of real estate;
- Warehousing, transportation services and loading;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee;
- Manufacture and sell plastic packages and label printing;
- Manufacture and sell plastic products;
- Health care clinic operations;
- Cattle raising and agricultural operations;
- Activities supporting agricultural operations such as: supply of seeds of cultivated crops, guidance on cultivation techniques, cultivation harvest, soil working, irrigation;
- Cattle raising: supply of breeding animals and breeding techniques;
- Post-harvest services;
- Treatments on seeds for multiplication purposes; and
- Manufacture biscuits.

1 GENERAL INFORMATION (continued)

The consolidated financial statements for the year ended 31 December 2011 comprises the financial statements of the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and joint ventures as listed below:

		31.12.2011		31.12.2010	
Name	Address	% of ownership	% of voting rights	% of ownership	% of voting rights
Subsidiaries:					
Vietnam Dairy Cow One Member Limited Company	10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Lam Son Dairy One Member Company Limited	Le Mon Industry Zone, Thanh Hoa Province, Vietnam	100%	100%	100%	100%
International Real Estate One Member Limited Company	10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Dielac Dairy One Member Company Limited	9 Tu Do Venue, Vietnam - Singapore Industrial Zone, Thuan An, Binh Duong	100%	100%	100%	100%
Joint ventures:					
Dairy Cow Development Project	Tu Tra Ward, Don Duong District, Lam Dong Province, Vietnam	25%	25%	25%	25%
Horizon Apartment -Business Cooperation Contract	214 Tran Quang Khai, District 1, Ho Chi Minh City, Vietnam	24.5%	24.5%	24.5%	24.5%
Associates:					
Asia Saigon Food Ingredients Joint Stock Company	Lot C, 9E My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	15.79%	15.79%	20%	20%
Miraka Limited	Becker Findlay Allen C Tower 109 Tuwharetoa St, PO Box 1091, Taupo, New Zealand	19.3%	19.3%	19.3%	19.3%

As at 31 December 2011, the Group had 4,638 employees (2010: 4,453 employees).

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

2.2 Fiscal year

The Group's fiscal year is from 1 January to 31 December.

2.3 Consolidation

In 2011, the Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.3 Consolidation (continued)

Joint ventures and associates

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity which is subject to joint control. Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in joint ventures and associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its joint ventures' and associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture or associate equals or exceeds its interest in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture or associate.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint ventures and associates. Accounting policies of joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Use of estimates

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the Board of Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2.5 Currency

The consolidated financial statements are prepared and presented in Vietnamese Dong.

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the Vietnam inter-bank rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.6 Form of records applied

The Group uses voucher ledgers to record its transactions.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.8 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Directors of all outstanding amounts at the year end. Bad debts are written off when identified.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.10 Investments

(a) Short-term investments

Short-term investments are investments with maturities less than 12 months from the balance sheet date and investments that are held with the intention to dispose within 12 months from the balance sheet date. Short-term investments are initially accounted for at cost. Provision for diminution is recognised for short term equity securities where the cost exceeds the fair value of such securities.

(b) Investments in joint ventures and associates

Investments in joint ventures and associates are accounted under the equity method of accounting in the consolidated financial statements.

(c) Long-term investments

- (i) Long-term bank deposits are those maturing after 12 months from the balance sheet date and are accounted for at cost.
- (ii) Investments in bonds are classified as long-term when they are held with no intention to dispose within 12 months from the balance sheet date. Investments in bonds are initially stated at cost. Subsequently, they are measured at cost less provision. Provision is required if there is evidence of a long-term decline in the value of the securities or in the case where the Group cannot recover its investments.
- (iii) Other long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose within 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.11 Fixed assets

Tangible and intangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation

Fixed assets are depreciated on the straight-line method, to write off the cost of the assets to their residual value over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

	Years
Buildings and structures	10 - 50
Machinery and equipment	8 - 10
Motor vehicles	10
Office equipment	3 - 8
Software	6
Livestock	6

Land use rights are amortised, using the straight-line method over the terms indicated in the land use right certificates. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

Subsequent expenditure

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

2.12 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on the straight-line basis over the period of the lease.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.13 Investment properties

Investment properties are a building – or part of a building – or infrastructure held by the Group to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or administrative purposes or for sale in the normal course of business.

Depreciation

Investment properties are depreciated on the straight-line method to write off the cost of the assets over their estimated useful lives, as follows:

	Years
Buildings	10 – 50
Infrastructure	10

Land use rights are amortised, using the straight-line method over the terms indicated in the land use right certificates. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the net book value and are recognised as income or expense in the income statement.

2.14 Share capital and treasury shares

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

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

2.15 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2.16 Revenue recognition

(a) Sales of goods

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

(b) Sales of services

Revenue from the sales of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.16 Revenue recognition (continued)

(c) Interest income

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

(d) Dividend income

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

2.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither accounting nor taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2.18 Dividend distribution

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

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

2.19 Method of reserve appropriation

Appropriation to reserve funds in accordance with the Company's Charter is as follows:

Investment and development fund	10% of profit after tax
Bonus and welfare fund	10% of profit after tax
Financial reserve fund	5% of profit after tax

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

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.20 Related parties

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

The State Capital Investment Corporation holds the largest shareholding in the Company and accordingly is regarded as a related party. However, enterprises which are controlled or significantly influenced by the State Capital Investment Corporation are not considered as related parties of the Company for the purposes of disclosure since they do not influence, or are not influenced by, the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.21 Provisions

Provisions are recognised when: the Company or its subsidiaries have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

2.22 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Company and its subsidiaries are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Company or its subsidiaries. A provision for severance allowance is made for the estimated liability for employment termination as a result of services rendered by employees. Up to 31 December 2008, the provision has been calculated on the basis of a half month's salary for each employee for each year of service with the Company or its subsidiaries, based on salary levels as of that date.

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

3 CASH AND CASH EQUIVALENTS

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

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

4 INVESTMENTS

(a) Short-term investments

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

Provision for diminution in value of short-term investments has been made to reflect the fall in market prices of the related shares as at year end.

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

	2011 VND	2010 VND
Opening balance	70,657,669,500	86,506,865,100
Increase	8,586,574,100	7,706,652,500
Reversal	-	(23,555,848,100)
Closing balance	<u>79,244,243,600</u>	<u>70,657,669,500</u>

Form B 09 – DN/HN

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

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

	2011 VND	2010 VND
Long-term equity investments in associates and joint ventures:		
Miraka Limited	173,228,494,143	179,315,000,000
Asia Saigon Food Ingredients Joint Stock Company	15,038,025,559	17,765,470,472
Horizon Apartment – Business Cooperation Contract	9,942,684,826	9,942,684,826
Dairy Cow Development Project	7,209,270,725	7,209,270,725
	<u>205,418,475,253</u>	<u>214,232,426,023</u>
Other long-term investments:		
Long-term bonds issued by local corporates	50,000,000,000	100,000,000,000
Long-term bonds issued by local credit institutions	300,000,000,000	500,000,000,000
Other long-term investments:		
Listed equity securities	206,996,073,800	206,996,073,800
Investment funds	106,350,000,000	106,350,000,000
Others	120,300,000,000	122,800,000,000
	<u>783,646,073,800</u>	<u>1,036,146,073,800</u>
Provision for diminution in value of long-term investments	<u>(142,350,792,629)</u>	<u>(108,580,084,548)</u>
	<u>846,713,756,424</u>	<u>1,141,798,415,275</u>

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

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

5 TRADE ACCOUNTS RECEIVABLE

	2011 VND	2010 VND
Third parties	1,143,168,467,855	587,457,894,727

6 OTHER RECEIVABLES

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

7 INVENTORIES

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

Form B 09 – DN/HN

7 INVENTORIES (continued)

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

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

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

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

8 PREPAYMENTS (continued)

(b) Long-term prepayments

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

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

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

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

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

Mẫu số B 09 – DN/HN

9 FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Total VND
Historical cost						
At 1 January 2011	778,992,909,342	2,718,468,317,885	330,555,956,849	176,038,864,793	109,244,581,002	4,113,300,629,871
New purchases	9,350,919,682	74,603,634,491	20,193,651,414	51,571,128,211	-	155,719,333,798
Transfers from construction in progress (Note 9(c))	204,814,294,827	864,727,536,637	25,944,153,221	35,128,761,651	-	1,130,614,746,336
Transfers from inventory	-	-	-	-	103,021,517,042	103,021,517,042
Transfers to investment properties (Note 10)	(13,606,729,237)	-	-	-	-	(13,606,729,237)
Reclassification	-	189,819,323	-	(189,819,323)	-	-
Disposals	(68,736,260,725)	(60,858,649,469)	(33,943,201,716)	(5,111,052,246)	(16,762,973,329)	(185,412,137,485)
Other decreases	-	(1,810,524,065)	-	-	-	(1,810,524,065)
At 31 December 2011	910,815,133,889	3,595,320,134,802	342,750,559,768	257,437,883,086	195,503,124,715	5,301,826,836,260
Accumulated depreciation						
At 1 January 2011	220,503,672,561	1,072,531,849,026	123,754,376,223	89,822,779,956	16,793,900,220	1,523,406,577,986
Charge for the year	38,365,748,340	267,051,583,113	28,777,829,298	36,434,769,921	28,680,343,437	399,310,274,109
Transfers to investment properties (Note 10)	(9,915,048,803)	-	-	-	-	(9,915,048,803)
Reclassification	96,735,866	342,904,429	25,505,540	(229,394,313)	(235,751,522)	-
Disposals	(31,438,527,014)	(53,878,015,213)	(9,473,718,705)	(5,048,229,848)	(4,508,355,189)	(104,346,845,969)
Other decreases	-	(256,663,517)	-	-	-	(256,663,517)
At 31 December 2011	217,612,580,950	1,285,791,657,838	143,083,992,356	120,979,925,716	40,730,136,946	1,808,198,293,806
Net book value						
At 1 January 2011	558,489,236,781	1,645,936,468,859	206,801,580,626	86,216,084,837	92,450,680,782	2,589,894,051,885
At 31 December 2011	693,202,552,939	2,309,528,476,964	199,666,567,412	136,457,957,370	154,772,987,769	3,493,628,542,454

9 FIXED ASSETS (continued)

(a) Tangible fixed assets (continued)

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

(b) Intangible fixed assets

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

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

Form B 09 – DN/HN

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

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

Main projects relate to these following locations:

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

10 INVESTMENT PROPERTY

	Land use right VND	Infrastructure VND	Buildings VND	Total VND
Historical cost				
At 1 January 2011	27,489,150,000	5,994,290,197	70,576,318,026	104,059,758,223
Transfers from tangible fixed assets (Note 9(a))	-	-	13,606,729,237	13,606,729,237
At 31 December 2011	27,489,150,000	5,994,290,197	84,183,047,263	117,666,487,460
Accumulated depreciation				
At 1 January 2011	-	544,872,474	2,697,340,538	3,242,213,012
Charge for the year	-	599,429,017	3,238,509,089	3,837,938,106
Transfers from tangible fixed assets (Note 9(a))	-	-	9,915,048,803	9,915,048,803
At 31 December 2011	-	1,144,301,491	15,850,898,430	16,995,199,921
Net book value				
At 1 January 2011	27,489,150,000	5,449,417,723	67,878,977,488	100,817,545,211
At 31 December 2011	27,489,150,000	4,849,988,706	68,332,148,833	100,671,287,539

The land use rights of the Group represented freehold land in Hai Chau District, Da Nang City and was carried at cost and not amortised.

Included in the investment properties were assets costing VND6,976,800,000 which were fully depreciated as at 31 December 2011 (31 December 2010: Nil), but which are still in active use.

11 GOODWILL

Movements of goodwill during the year were as follows:

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

Form B 09 – DN/HN

12 DEFERRED INCOME TAX ASSETS

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

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

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

13 SHORT-TERM BORROWINGS

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

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

14 TRADE ACCOUNTS PAYABLE

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

15 TAXES AND OTHER PAYABLES TO STATE BUDGET

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

16 ACCRUED EXPENSES

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

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

17 OTHER PAYABLES

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

18 OTHER LONG-TERM LIABILITIES

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

Form B 09 – DN/HN

19 PROVISION FOR SEVERANCE ALLOWANCES

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

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

20 SHARE CAPITAL

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

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

The Company's authorised and issued share capitals are:

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

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meetings. Ordinary shares are ranked equally with regard to the Company's residual assets. Shareholders are eligible to dividends declared by the Company. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
As at 1 January 2010	3,512,653,000,000	-	(154,222,000)	1,756,282,910,335	294,347,876,431	892,345,028,217	6,455,474,592,983
Capital increase during the year	18,068,200,000	-	(514,829,000)	-	-	-	17,553,371,000
Profit for the year	-	-	-	-	-	3,616,185,949,180	3,616,185,949,180
Other increases	-	-	-	-	-	6,688,696	6,688,696
Appropriations to reserves	-	-	-	416,007,879,530	58,724,243,569	(834,315,714,676)	(359,583,591,577)
Dividends paid	-	-	-	-	-	(1,765,200,420,000)	(1,765,200,420,000)
As at 31 December 2010	3,530,721,200,000	-	(669,051,000)	2,172,290,789,865	353,072,120,000	1,909,021,531,417	7,964,436,590,282
Capital increase during the year	2,030,426,340,000	1,276,994,100,000	(1,852,743,000)	(1,852,892,040,000)	-	-	1,452,675,657,000
Profit for the year	-	-	-	-	-	4,218,181,708,937	4,218,181,708,937
Appropriations to reserves	-	-	-	588,625,486,519	203,042,634,000	(1,208,328,620,254)	(416,660,499,735)
Dividends paid (Note 22)	-	-	-	-	-	(741,428,260,000)	(741,428,260,000)
As at 31 December 2011	5,561,147,540,000	1,276,994,100,000	(2,521,794,000)	908,024,236,384	556,114,754,000	4,177,446,360,100	12,477,205,196,484

Form B 09 – DN/HN

22 DIVIDENDS

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

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

23 REVENUE**(a) Net sales**

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

(b) Financial income

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Form B 09 – DN/HN

24 COST OF SALES

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

25 FINANCIAL EXPENSES

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

26 SELLING EXPENSES

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

Form B 09 – DN/HN

27 GENERAL AND ADMINISTRATION EXPENSES

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

28 NET OTHER INCOME

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

29 BUSINESS INCOME TAX

The Company is required to pay business income tax (“BIT”) at rates ranging from 15% to 25%, depending on locations of the factories, on taxable profits. In the Group, only the Company and Lamson Dairy One Member Company Limited incurred the business income tax charges. Other companies either are in the exempt period or have no taxable income.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the normal tax rate of 25% as regulated in current tax regulations as follows:

	2011 VND	2010 VND
Net accounting profit before tax	4,978,991,895,071	4,251,207,423,608
Tax calculated at the tax rate of 25%	1,244,747,973,768	1,062,801,855,902
Effect of:		
Different tax rates applicable for branches and subsidiaries	(226,947,759,566)	(172,131,175,185)
Income not subject to tax	(24,161,191,796)	(11,680,572,796)
Expenses not deductible for tax purposes	5,821,560,435	2,494,552,401
Tax incentives	(251,427,181,503)	(250,238,871,042)
Current tax losses in subsidiaries for which no deferred income tax asset was recognised	7,362,992,662	3,994,740,319
Under-provision in previous years	5,413,792,134	473,955,038
Business income tax charge	760,810,186,134	635,714,484,637

The Group’s business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

30 BASIC EARNINGS PER SHARE

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

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

The Group does not have potentially dilutive ordinary shares.

Form B 09 – DN/HN

31 COST OF GOODS MANUFACTURED BY FACTORS

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

32 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The largest shareholder of the Company is the State Capital Investment Corporation (“SCIC”) which owns 45.04% of the Company’s share capital. The SCIC is controlled by the Government of SR Vietnam.

(a) Related party transactions

During the year, the following transactions were carried out with related parties:

i) Sales of goods and services

	2011 VND	2010 VND
Associates:		
Asia Saigon Food Ingredients Joint Stock Company	<u>112,180,852</u>	<u>-</u>

ii) Purchases of goods and services

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

iii) Loans granted

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

32 SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (continued)

(a) Related party transactions (continued)

iii) Loans granted (continued)

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

iv) Capital contribution

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

v) Dividends paid

	2011 VND	2010 VND
Major shareholder:		
The State Capital Investment Corporation	333,984,000,000	834,960,000,000

v) Compensation of key management

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

(b) Year end balances with related parties

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

Form B 09 – DN/HN

33 SEGMENTAL REPORTING

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

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

Geographical segments

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

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

34 CAPITAL COMMITMENTS

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

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

35 COMMITMENTS UNDER OPERATING LEASES

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

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

36 FINANCIAL RISK MANAGEMENT

Financial risk factors

Overview

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

- Market risk
- Liquidity risk
- Credit risk

The Board of Directors (“the Board”) has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board establishes policies to identify and analyse the risks faced by the Group, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Form B 09 – DN/HN

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

The Group is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than the VND. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Euro ("EUR").

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Board does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The Group's currency exposure to the USD and EUR is as follows:

As at 31 December 2011				
	Original currency USD	EUR	Equivalent to VND USD	EUR
Financial assets				
Cash and bank deposits	27,989,325	1,482,878	582,961,667,350	40,976,354,510
Trade and other receivables	35,512,893	8,543,383	739,662,534,214	236,079,314,321
	63,502,218	10,026,261	1,322,624,201,564	277,055,668,831
Financial liabilities				
Trade and other payables	(43,076,331)	(12,606,518)	(897,193,813,131)	(348,355,921,842)
Currency exposure	20,425,888	(2,580,257)	425,430,388,433	(71,300,253,011)
As at 31 December 2010				
	Original currency USD	EUR	Equivalent to VND USD	EUR
Financial assets				
Cash and bank deposits	1,303,358	995	24,675,217,771	27,581,760
Trade and other receivables	10,943,931	8,863,926	207,190,508,231	245,787,809,045
	12,247,289	8,864,921	231,865,726,002	245,815,390,805
Financial liabilities				
Borrowings	(30,000,000)	-	(567,960,000,000)	-
Trade and other payables	(30,028,437)	(2,132,729)	(568,498,371,126)	(59,138,450,054)
	(60,028,437)	(2,132,729)	(1,136,458,371,126)	(59,138,450,054)
Currency exposure	(47,781,148)	6,732,192	(904,592,645,124)	186,676,940,751

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

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

At 31 December 2011, if the EUR had strengthened/weakened by 10% against the VND with all other variables including tax rate being held constant, the Group's profit after tax for the financial year would have been VND5,347,518,976 lower/higher as a result of currency translation losses/gains on the remaining EUR-denominated financial instruments.

(ii) Price risk

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

For the investments in listed securities, if the share prices had increased/decreased by 10% with all other variables including tax rate being held constant, the Group's profit after tax would have been VND8,303,060,483 higher/lower.

(iii) Interest rate risk

The Group is not exposed to significant interest rate risk on its borrowings as the Group's policy is to maintain 100% of fixed-rate borrowings. In addition, as at 31 December 2011, the Group had fully repaid all of its borrowings.

(b) Credit risk

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

36 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and only with counter parties that have good creditworthiness. The Board actively monitors credit risk and does not expect any counter party failing to meet its obligations.

Balances with banks

All the bank balances are placed with local financial institutions. The Board does not expect any losses arising from performance of these financial institutions.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet. The Group's major classes of financial assets are bank deposits and trade and other receivables, and investments.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits and investments in bonds that are neither past due nor impaired are mainly term deposits and investments in bonds issued by local banks which have high credit-ratings in Vietnam. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track records with the Group.

The Group's trade and other receivables not past due amounted to VND1,353,317,082,254 (2010: VND709,847,091,276).

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

Trade and other receivables that are past due but not impaired are as follows:

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

36 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade and other receivables determined to be impaired and the movement in the related allowance for impairment are as follows:

	As at 31 December	
	2011 VND	2010 VND
Carrying amount		
Gross amount	3,582,467,962	630,581,164
Less: Allowance for impairment	(1,918,007,430)	(596,556,111)
	<u>1,664,460,532</u>	<u>34,025,053</u>
Allowance for impairment		
Beginning of financial year	596,556,111	663,172,889
Allowance made	1,833,346,777	(14,545,012)
Written-off	(511,895,458)	(52,071,766)
End of financial year	<u>1,918,007,430</u>	<u>596,556,111</u>

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and medium term. The Group's holdings of cash, together with net cash flows from operations, are expected to be sufficient to cover the Group's liabilities due in the next financial year.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year VND	Between 1 and 2 years VND	Between 2 and 5 years VND
As at 31 December 2011			
Trade and other liabilities	<u>2,312,706,740,902</u>	<u>92,000,000,000</u>	<u>-</u>
As at 31 December 2010			
Borrowings	567,960,000,000	-	-
Trade and other liabilities	<u>1,556,078,140,913</u>	<u>-</u>	<u>92,000,000,000</u>
	<u>2,124,038,140,913</u>	<u>-</u>	<u>92,000,000,000</u>

Mẫu số B 09 – DN/HN

36 FINANCIAL RISK MANAGEMENT (continued)**(d) Fair value measurements**

The carrying value less provision of trade receivables, deposits and trade and other payables approximate to their fair values.

Below are the fair values of short-term and long-term investments:

	Compared to market value			Market value VND	Provision VND
	Book value VND	Increase VND	Decrease VND		
As at 31 December 2011					
Short-term investments					
Listed equity securities	24,993,771,792	11,762,802,708	(10,685,976,400)	26,070,598,100	(10,685,976,400)
Unlisted equity securities	82,283,660,000	-	(68,558,267,200)	13,725,392,800	(68,558,267,200)
Other long-term investments					
Listed equity securities	206,996,073,800	5,973,328,500	(96,442,805,500)	116,526,596,800	(96,442,805,500)
Investment funds	106,350,000,000	-	(45,907,987,129)	60,442,012,871	(45,907,987,129)
	420,623,505,592	17,736,131,208	(221,595,036,229)	216,764,600,571	(221,595,036,229)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

36 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value measurements (continued)

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

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

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

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

Form B 09 – DN/HN

37 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

The consolidated financial statements were approved by the Board of Directors on 28 February 2012.



Le Thanh Liem
Chief Accountant



Ngo Thi Thu Trang
Executive Director - Finance



Mai Kieu Lien
Chief Executive Officer



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