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In 2006, Vinamilk continued its fast growth, reaching revenues of VND6,660 billion and profits of VND731.58 billion. Though the cost of materials, milk powder and sugar continued to rise, and with fiercer business competition, the company still performed well, with the earning per share reaching VND4,601, up from VND3,816 in 2005. With an overall restructuring of its business model – by categorizing and streamlining the distribution network and accelerating the retail network on all sales regions – the Company strengthened its marketing and expanded its business scope.

The company continued with construction of new and expansion of existing milk factories in Bac Ninh, Danang, Can Tho and Binh Dinh, invested in raw materials, established Vietnam Dairy Cattle Co., Ltd., developed new product lines such as beer and coffee, and diversified into real estate and prepared to list in foreign stock markets.

The 2006 results demonstrate that the most important numbers equaled or exceeded the average of the previous years. In 2006, the Company also started to invest further into the new fields of dairy cattle husbandry and real estate.

FINANANCIAL RESULTS

In 2006 the Company had its best performance since its equitization, with post-tax earning for each VND10,000 nominal value share reaching a record of VND4,601, up 20.8% over fiscal year of 2005.

The Company's major export market in 2006 was still Iraq, where the Company maintained an average export value of over USD80 million. Cambodia was the export market with the fastest growth in 2006, reaching business value of USD3 million, up 74% compared with 2005.

In 2006, the Company's pre-tax profit was VND 734.47 billion, more than 21.9% growth over 2005, thanks to increased sales revenue of the product groups having a large ratio in the

product structure and high profit ratio, such as milk powder, yogurt, yogurt drinks, fresh milk and sweetened condensed milk.

DIVIDENDS

Based on the business performance in 2006, the Management Board has decided on first advanced dividends at VND1,900 per share with the nominal value of VND10,000. The exact dividends will be decided in the Annual Meeting, expected to be held late in March of 2007. As a whole, the 2006 dividends increased 11.76% over 2005, and accounted for 41.2% of the Companys after-tax profit.

This marks the continuous growth of dividend ratio - 15% in 2004, 17% in 2005 and 19% in 2006 – and highlights the Company's sustained growth over the past years.

PRODUCT STRUCTURE AND BUSINESS SCOPES

a. Powdered milk and nutritious powder group

Powdered milk and nutritious powder are among the companys primary products, and always contribute the most to the business performance. Domestic consumption of this group maintained a high growth rate. 2006 revenues increased 30.3% over 2005. This group accounted for more than 90% of total export turnover.

b. Condensed milk

This group has the highest ratio in the company's domestic revenue. Its sales in 2006 increased by 2.2% over 2005.

c. Fresh milk and yogurt drinks

This group had the highest growth rate in 2006, proving a potential market and demanding the company's attention in the future. Sales increased 32.8% over 2005.

d. Refrigerated products, foods and beverages

This group had the second highest growth rate in 2006. Most importantly, this group includes yogurt, traditionally our customer's favorite. This group grew 21.9% over 2005.

e. Coffee

While 2005 was the first year the Company evaluated the coffee market, introduced products to consumers, and planned later strategies, 2006 was the year the coffee products consolidated their position in the market. Café Moment is available in many places and among the customers top choice. Group revenues increased 205% over 2005.

f. Financial investment

With the 2006 growth of financial markets in general and the stock market in particular, the Companys Board of Directors decided to invest heavily in those markets, taking advantage of all opportunities to invest, increasing profits, helping to diversify and contributing to the company's general business performance.



2007 BUSINESS PLAN

To maintain and develop domestic market share and to expand export markets, in 2007 the company has set a target of overall growth of at least 15% and growth in profits of 15-20% over 2006. For export businesses, the target for 2007 is USD120 million, more than 50% greater than 2006.

In addition to the recently-opened beer products joint-venture and An Khang Clinic providing high quality services, Sai Gon coffee plant (Binh Duong province) and Tien Son milk plant (Bac Ninh province) will begin operation in 2007, producing both for domestic and export markets. Also, the Company will invest heavily in development projects in raw-material zones, constructing one or two model dairy cattle farms for supplying fresh milk for processing.

CONCLUSION

Vinamilk attributes its strong development in recent years to the trust and support of its customers and business partners and the support of government agencies. On behalf of Vinamilk, I would like to express my sincere gratitude to our customers, our business partners and government agencies. I wish you all success in work and in business, and hope to expand our cooperation.

I would like to thank to more than 3,900 Vinamilk employees for your effective contribution, and I hope that you will strengthen your ability to lead Vinamilk to more success in the future.

With the positive results of 2006, I believe that in the near future Vinamilk will develop strongly and soundly. Starting in 2007, the company will invest in expansion and new construction projects for continuing product diversification and meeting all customer's demands.

Ho Chi Minh City, March 15th, 2007 On behalf of Vietnam Dairy Products Joint Stock Company



Chairwoman of the Management Board Mai Kieu Lien







Vietnam Dairy Products Joint Stock Company was established under the Decision No.155/2003/QD-BCN dated Oct. 1st, 2003, promulgated by the Ministry of Industry, regulating the conversion of the state-owned Vietnam Milk Company into Vietnam Dairy Products Joint Stock Company. The company was granted Business Registration License No. 4103001932 by the HCMC Department of Planning and Investment on Nov. 20th, 2003. Prior to Dec. 1st, 2003, the company was a state-owned enterprise under the Ministry of Industry.

Name: Công ty Cổ phần Sữa Việt Nam

International Trading Name: Vietnam Dairy Products Joint Stock Company

Abbreviation: VINAMILK

Logo:



Head Office: 184–186–188 Nguyen Dinh Chieu St., District 3, HCMC, Vietnam

Tel: (84.8) 9300 358 Fax: (84.8) 9305 206

Website: www.vinamilk.com.vn

Email: vinamilk@vinamilk.com.vn

Current charter capital to 1,590,000,000,000 VND

31/12/2006: (one trillion, five hundred ninety billion Vietnamese dong).

Business Lines

- Processing and trading of canned milk, powdered milk, nutritious powder, cake, fresh milk, soya milk, beverages and other dairy products.
- Trading in processed foods, spare parts, materials, chemicals and raw materials.
- Trading in real estate, including real estate brokerage and leasing.
- Trading in warehouses and wharves; automobile goods transportation; loading and unloading goods.
- Manufacturing and trading in alcohol, beer, beverages, processed foods, and tea; roasted, ground, filtered and instant coffee (not manufactured & processed on the premises)
- Manufacturing and trading in packages; printing on packages.
- Manufacturing and trading in plastic products.
- Polyclinics (not operating on the premises).

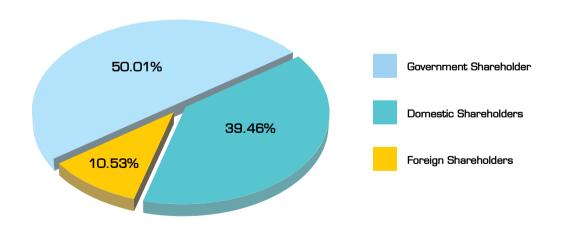
CHARTERED CAPITAL UP TO DEC. 31, 2006

Nominal Share Price: 10,000 VND/share

Owner	Number of Shares Owned
Government Shareholder	79,520,000
Domestic Shareholders	16,736,350
Foreign Shareholders	62,743,650
Total Owner Capital	159,000,000

Percentage of Ownership

Owner	Rate of Shares Owned
Government Shareholder	50.01%
Domestic Shareholders	10.53%
Foreign Shareholders	39.46%
Total	100.00%

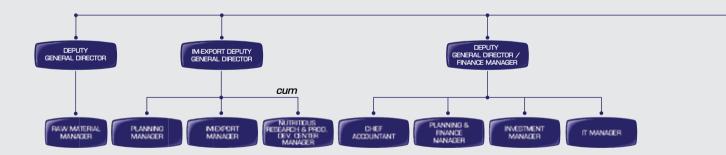


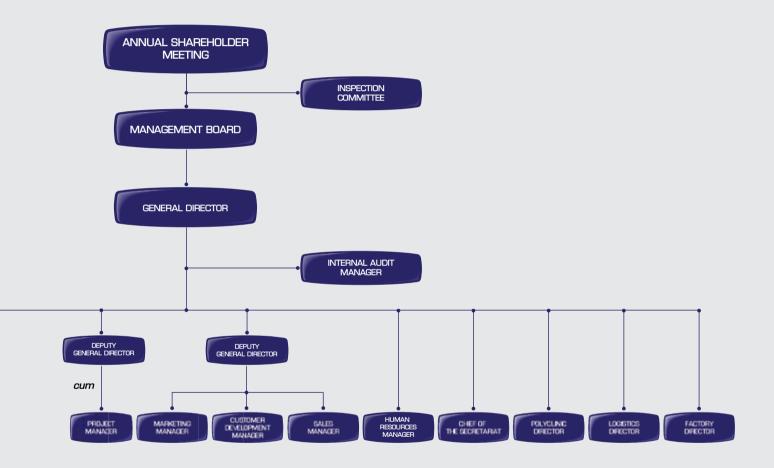
COMPANYS MAJOR PRODUCT GROUP, ITS FACTORIES & BRANCHES

No.	Unit	Main products	Address
01	Thong Nhat Milk Factory	Sweetened condensed milk, sterilized fresh milk, yogurt, yogurt drinks, cream, flan, soya milk	12 Dang Van Bi St., Thu Duc Dist., HCMC Tel. (84.8) 896 0725
02	Truong Tho Milk Factory	Sweetened condensed milk, sterilized fresh milk, yogurt, soya milk, fruit juice, cheese, flan	32 Dang Van Bi St., Thu Duc Dist., HCMC Tel. (84.8) 896 0727
03	Saigon Milk Factory	Sterilized fresh milk, yogurt drinks, soya milk, printed plastics and tin	Tan Thoi Hiep Industrial Park, Dist. 12, HCMC / Tel. (84.8) 717 6355
04	Dielac Milk Factory	Powdered milk, nutritious powder for children and adults, tea and coffee	Bien Hoa Industrial Park, Dong Nai Province Tel. (84.61) 3836 115
05	Can Tho Milk Factory	Sterilized fresh milk, yogurt, cream, cake	Tra Noc Industrial Park, Can Tho City Tel: (84.71) 842 698
06	Binh Dinh Milk Factory	Sterilized fresh milk, yogurt, yogurt drinks, cream	87 Hoang Van Thu - Quang Trung Ward, Quy Nhon City, Binh Dinh Province Tel. (84.56) 746 066
07	Nghe An Milk Factory	Sterilized fresh milk, yogurt, fruit juice	Sao Nam St., Nghi Thu, Cua Lo Town, Nghe An Province Tel: (84.38) 3949 032
08	Hanoi Milk Factory	Sweetened condensed milk, sterilized fresh milk, yogurt, cream, flan	Dung Xa Commune, Gia Lam, Hanoi Tel. (84.4) 827 6418
09	Base Depot	Transportation and forwarding	32 Dang Van Bi St., Thu Duc Dist., HCMC Tel. (84.8) 896 6673
10	Hanoi Branch	Trading products of the company	191 Ba Trieu St., VINCOM B Office Building, Hanoi / Tel: (84.4) 9742 520 – 9742 512
11	Danang Branch	Trading products of the company	175 Trieu Nu Vuong St., Danang City Tel: (84.511) 897 222
12	Can Tho Branch	Trading products of the company	86D Hung Vuong St., Ninh Kieu Dist., Can Tho City / Tel: (84.71) 827 340
13	An Khang Polyclinic	Polyelinic	87A Cach Mang Thang Tam Street, Dist. 1 HCMC / Tel: (84.8) 9253900

ORGANIZATION CHART

As at Dec. 31 2006, Vietnam Dairy Products Joint Stock Company has 13 subsidiaries including 03 branches, 08 factories, 01 base depot (logistics warehouse) and 01 polyclinic. All major business decisions are approved by the Annual Shareholder Meeting and executed in the Head Office at 184-186 Nguyen Dinh Chieu St., Dist. 3, HCMC.













MANAGEMENT BOARD

MS. MAI KIEU LIEN CHAIRWOMAN AND GENERAL DIRECTOR

Born in 1953 in Paris, France and appointed as Technical Deputy Director of Thong Nhat Milk Factory in 1982. In 1984, she was assigned the position of Deputy General Director of Vietnam Milk Company (Vinamilk) after her training in business management in the former Soviet Union (currently Russia). In December 1992, she was promoted to General Director of Vietnam Milk Company. In November 2003, after the first Annual Shareholder Meeting of Vietnam Dairy Products Joint Stock Company, she was elected Chairwoman of the Board of Directors and thereafter appointed as General Director of Vietnam Dairy Products Joint Stock Company. She has more than 30 year participated to Vinamilk with many management positions in JVC companies, subsidiary companies: President of Sabmiller Beer Vietnam JVC, President of member company of Vietnam Diary Association, President of member company of International Real Estate Investment Association, member of Management Board of Vegetable Oil Packing JSC (V-PACK).

She continues to be representative of the stake of State Capital Investment Corporation (SCIC) under SCIC Management Board Chairman's decision No. 39/QD-HDQT dated October 30th, 2006, and Vinamilk's Management Boards Resolution No.1776/NQ.CTS-HDQT/06 dated November 4th, 2006.

MANAGEMENT BOARD





Mr. Hoang Nguyen Hoc Member of Management Board

Born in 1957, in Thanh Liem District, Ha Nam Province, he holds an MBA. He was appointed Member of the Board of Management of Vietnam Dairy Products Joint Stock Company under SCIC Management Board Chairman's decision No. 39/QD-HDQT dated October 30th, 2006, and Vinamilks Management Boards Resolution No.1776/NQ.CTS-HDQT/06 dated November 4th, 2006. Before being appointed General Director of SCIC in October 2006, he was Senior Expert cum Head of Corporate Finance Department of the Finance Ministry.

Ms. Ngo Thi Thu Trang

Member of Management Board, Deputy General Director and Financial Director

Born in 1963 in Gia Dinh, she was appointed Vice Head of the Accounting-Statistics Department in 1995 and then Chief Accountant of Vinamilk in 1997. She holds a bachelor's degree in Accounting and Finance and a master's degree in Business Administration. She was named Deputy General Director in February 2005. She was elected to the Board of Management of Vietnam Dairy Products Joint Stock Company in December 2005 and is currently Deputy General Director of Vinamilk. In addition, she is currently a member of Management Board of Vegetable Oil Packing JSC (V-PACK), Chairwoman of The Board of Representatives of VF2 Investment Fund.





Mr. Dominic Scriven
Member of Management Board,
Representative of
Amersham Industries Ltd.

Born in 1963 in London, England, he is currently a representative of Amersham Industries, Ltd., and Vietnam Enterprise Investment, Ltd., holding 5.791.320 shares in Vietnam Dairy Products Joint Stock Company (As at O2 February 2007). He holds the positions of Chief Executive Officer of Dragon Capital Group, Ltd., First Deputy Chairman of the Board of Management of Vietnam Private Joint Stock Bank (VPB), Member of Board of Management of Ha Long Canned Food Company, Member of Board of Management of PDD Joint Venture, Member of Board of Management of REE Refrigerating Electromechanics Company, Member of Board of Management of Saigon Commercial Bank (Sacombank), and Chairman of Board of Management of Pacific Shipping Joint Venture. He was elected to the Board of Management of Vietnam Dairy Products Joint Stock Company in March 2005

Mr. Huang Hong Peng Member of Management Board, Representative of Food&Beverage

Born in 1959 in Singapore, he is a representative of the Food & Beverage Company, holding 17.668.330 shares in Vietnam Dairy Products Joint Stock Company (As at O2 February 2007). He is also Chief Executive Officer of the Food & Beverage Company, a subsidiary of Fraser & Neave Corporation. He was elected to the Board of Management of Vietnam Dairy Products Joint Stock Company in March 2005.

BOARD OF DIRECTORS

Ms. Mai Kieu Lien General Director



Ms. Nguyen Thi Thanh Hoa
Deputy General Director



Ms. Nguyen Thi Nhu Hang Deputy General Director







Ms. Ngo Thi Thu Trang Deputy General Director



Mr. Tran Minh Van Deputy General Director



Mr. Tran Bao Minh Deputy General Director





Mr. Nguyen Viet Cuong Head of Inspection Committee

Born in 1976 in Hai Phong, he was elected Head of the Inspection Committee of Vietnam Dairy Products Joint Stock Company in December 2003. He is a representative of Asia Value Investment, Ltd., holding 1.949.650 shares in Vinamilk (As at 02 February 2007). He is currently Head of the Investment Department of VinaCapital Investment Management Ltd.





Mr. Nguyen Viet Ha Member of Inspection Committee

Born in 1976 in Hanoi, he was elected as a member of the Inspection Committee of Vinamilk in December 2003. He is a representative of the Indochina Capital Financial Company, holding 641.350 shares in Vinamilk (As at 02 February 2007). He is currently Deputy Chairman and Investment Director of Indochina Capital Financial Company.

Mr. Seow Han Yong Member of Inspection Committee

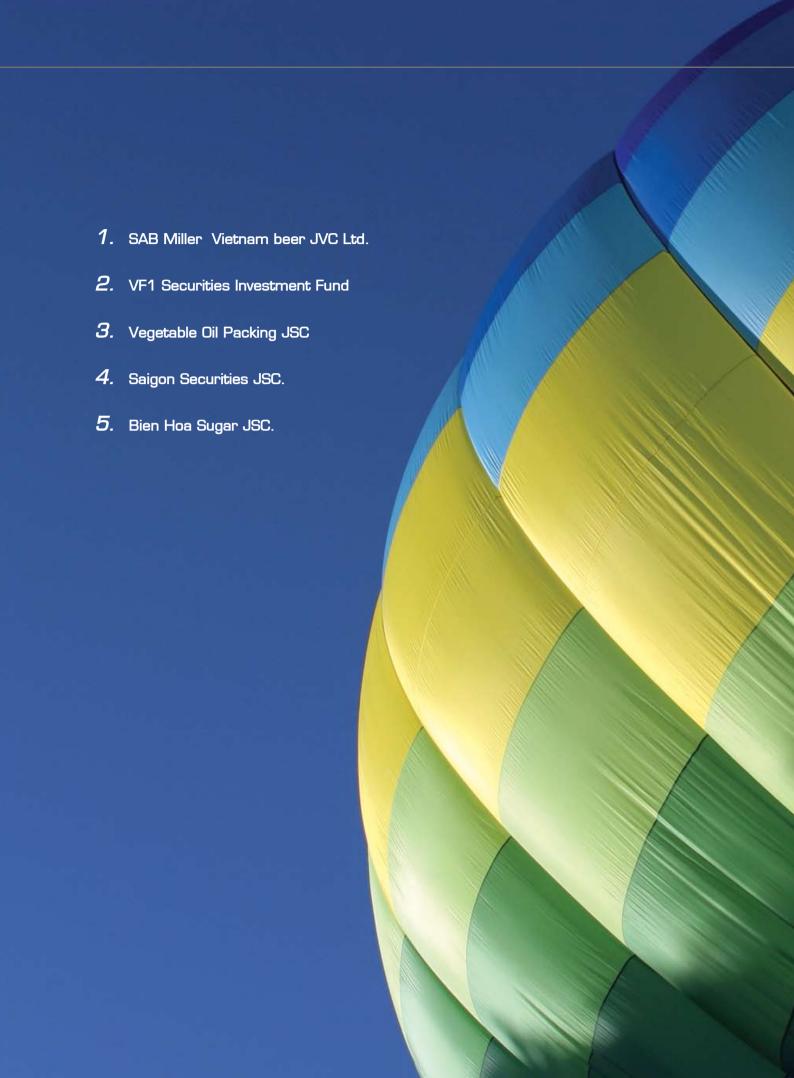
Born in 1973 in Singapore, he was elected as member of the Inspection Committee of Vietnam Dairy Products Joint Stock Company in December 2003. He represents Arisaig Partners (Asia) Pte., holding 2.160.960 sharesin Vinamilk (As at 02 February 2007). He is currently Director of Arisaig Partners (Asia) Pte.



JOINT VENTURES AND KEY PORTFOLIO

Forewarned, forearmed;
to be prepared is half the victory

Cervantes





SAB Miller Vietnam beer JVC Ltd.

In cooperation with SABMiller Asia B.V. (the Netherlands) for the establishment of Vietnam Sabmiller joint venture. The factory construction was basically completed and the company already launched products on the ocassion of last Lunar New Year. In 2007, the company's beer products will be launched officially in the Vietnamese market. Following is relevant information concerning the joint venture.

SAB MILLER Vietnam Beer JVC Ltd.	
Address	My Phuoc 2 Industrial Park, Ben Cat District, Binl Duong Province
Legal Capital	13,5 million USD
Invested Capital	45,0 million USD
Investment License	No. 462023000041 on Jun 30, 2006 by the Management Board of Binh Duong Industria Zones. First revised on Dec 01, 2006
Business Lines	Manufacturing and trading beer in Vietnam and overseas with the capacity of 100 million liters for domestic consumption and export
Vinamilk's Stake	50%

VF1 Securities Investment Fund

Vinamilk invests in the Vietnam Securities Investment Fund (VF1) of the VietFund Management JVC, holding a 6.8% share of the charter capital of the fund. VF1 is the first closed investment fund allowed in Vietnam. The fund uses capital from its founding shareholders to invest in Vietnam's stock market with encouraging initial results.

Following is some information about the fund:

VF1 Securities Investment Fund	
First Day of Operation	May 20th, 2004
VF1 Certificate Nominal Value	10,000 VND/certificate
Total Units Issued by VF1	50,000,000
VF1 Chartered Capital	500 billion VND
Vinamilk's Stake	6.8%
Listed on Vietnam's Stock Market	September 22, 2004



Vegetable Oil Packing JSC.

Vinamilk holds 13.5 billion VND worth of stock in Vegetable Oil Packing Joint Stock Company (V-PACK), accounting for 17.8% of the ownership capital. V-PACK Co. specializes in the production and trade of food industry packing; the trade of machinery, equipment and materials for the packing industry; and commercial services. Major information about V-Pack includes the following:

Vegetable Oil Packing Joint Stock Company (V-PACK)	
Address	Lot 6-12, Zone F, Tan Thoi Hiep Industrial Park, Dist. 12, HCMC
Business lines	Production and trade of food industry packing; trading in machinery, equipment and materials for the packing industry; and commercial services
Chartered capital	VND 76 billion
Business Registration License No.	No. 4103001186 on Sep. 9, 2002
Operational period	50 years as from the granted Business Registration License (2002)
Vinamilk's stake	17.8%



Saigon Securities JSC.

This was one of the most valuated investments of the Company in the year of 2006. The total of stock and bond held by VNM (accumulated by the date of Dec 31, 2006) are as below:

Saigon Securities JSC	
Address	180-182 Nguyen Cong Tru St., Dist. 01. HCMC
Business lines	Securities trading, fund management, financial consultancy B2B services
Chartered capital	VND 500 billion
Business Registration License No.	3041GP/TLDN date Dec. 30 1999
Vinamilk's stake	1,6%

In additional, the Company has invested in 800,000 of SSI exchange bond.

Bien Hoa Sugar JSC.

Vinamilk holds 10% of the ownership capital of Bien Hoa Sugar JSC.

Bien Hoa Sugar JSC	
Address	Bien Hoa I industries Zone, Dong Nai Provice
Business lines	Manufacturing and trading products of sugar from nature, products contained sugar or byproducts from sugary industry. Trading machines and equipments for sugary industry. Distilling and trading all kind of alcohols.
Chartered capital	162 billion VND
Vinamilk's stake	10%







to the community and helping communities to overcome difficulties. Vinamilk staff have demonstrated their concerns for the community and society through their practical and specific activities. The total amount the company and individuals mobilized through efforts amounted to 18 billion VND, of which 7.9 billion VND was raised in 2003-2004. Contributions include commitment to support 20 Vietnamese heroic mothers nationwide for the rest of their lives; construction of 72 houses for people contributing to the revolution and 120 charity houses; contributions to funds rewarding veterans and their families, funds for famine relief and poverty alleviation, scholarships for martyrs' children, construction of Ben Duoc Historical Relic in Cu Chi District, tsunami relief donation, contribution to help soldiers in the Truong Sa Island, antimalnutrition program for children nationwide for three successive years (1996, 1997 and 1998; 2.5 billion dong each year), fund for the Poor, fund for young talents, construction of relief centre for disabled children in Nam Dinh Province, flood and Agent Orange relief donation, Mao Khe coal mine disaster relief donation in Quang Ninh Province, construction of an overhead bridge helping



children get to school in Quang Nam; donated money for cleft palate and labial (lip) deformity surgical repair for disabled children.

In addition to easing pain and helping communities and individuals in difficulties, Vinamilk brings joy and education and information to the community. Through TV game shows, community games, sponsorship programs for activities benefiting the community, Vinamilk has become closer and friendlier not only to children but to the Vietnamese people in general. The most popular child-oriented programs include the "Vinamilk with the Vietnam young talents" with 3,000 scholarships (500,000 dong for each) and in 2007, the scholarship are extending to the quantity of 6,000 pars (3 billions dong). These scholarship are for elementary pupils with dificulties in life, programs in Int'l children day, Vu A Dinh scholarship, gifts for children on Lunar Moon Celebration with celebrities, TV Children's Game Show "Hugo" and the children's football "Vinamilk Cup". The company also donates to programs helping families in need, such as "Exceeding Yourself," and programs to provide education and information like "The Not-Private Matters" and the weather forecast.

To bring more joy to life, Vinamilk sponsors TV game shows such as "Choose the Right Price" and "Misreported Information," and the program "Weekend Vietnamese Film."

In the 30th Anniversary of Vinamilk, the company has donated 7 billions dong from annual budget to Vinamilk's community activities, specialised to poor and disable children in nationwide (64 provinces and cities) via the Sponsoring Fund of Vietnamese children. Apart from these activities, VNM is regular participating to other charity activities from other organizations as donating people who suffered the flood disaster, the 6th storm in the Middle (donated more than 1 billion dong from annual budget and social security fund) and the most recent VNM activities is donated 500 millions dong for Chom Lom bridge - Nghe An via the liaison committee of Tien Phona News and donated 500 millions dong for resolving the storm consequence in provinces of Ben Tre, Tien Giang, Vinh Long...

With a strategy for closer and friendlier customer relations, Vinamilk has been and will be supporting more community-oriented programs, bringing more benefits to communities in the future.







COMPANY QUALITY POLICY

Leverage our customer's belief through continuous innovation and development in quality, safety, competitive price and customer-oriented services is committed to satisfy all customer demands.



A. POWDERED MILK - CEREAL WITH MILK POWDER

1. POWDERED MILK

Dielac Alpha includes a wide range of powdered milk products for children and for pregnant and breastfeeding women, and the calcium and nutritious powdered milk product is specially suitable for the elderly.

Brands: Dielac, Dielac Mamma, Dielac Alpha, Dielac Star, Dielac Canxi Premier 2000, Dielac SURE.

2. CEREAL WITH MILK POWDER

- Cereal with milk powder includes a wide range of nutritious powdered products with different flavors for children of 6-24 months of age.
- The traditional Ridielac nutritious powder, specially made following the MAX-4D nutritional technology with the combination of nutritious milk, natural fresh food, vitamins and minerals, allows for the maximization of food absorption and provides good appetite for your child.
- The traditional Ri-Advance nutritious powder, added with DHA, Inulin, Iodin, Fe, and Vitamin, is suitable for each and every stage of the child's development.



B. SWEETENED CONDENSED MILK

Sweetened Condensed milk is available in two forms: canned and 50g packed (form seal) products, for customer convenience.

1. FOR USE IN THE HOUSEHOLD

Ong Tho sweetened condensed milk provides nutrition value from Kcal, protein, Calcium when it is consumed hot with or without bread or when it used to prepare foods or beverages: banana cake, Indian taro cake, cocoa with milk, coffee with milk, etc.

2. FOR SHOP OWNERS

Southern Star sweetened condensed milk may bring you interesting profit. As well, food and drink prepared from Southern Star will give you a better appetite, especially, a cup of coffee with Southern Star will make you a connoisseur!



C. FRESH MILK

1. VINAMILK STERILIZED FRESH MILK

Starting a day with Vinamilk sterilized fresh milk, from fresh nature, you and family will get all healthy vitamins and minerals enough for the whole day.

Vinamilk sterilized fresh milk is packed in 200ml and 250 ml paper cartons, and is suitable for children and adults as well as for use in restaurants and hotels.



2. VINAMILK STERILIZED MILK

Vinamilk Sterilized Milk is produced from whole cow milk and high-quality imported raw materials. Vinamilk Sterilized Milk not only preserves the natural fragrance of milk but also contains sufficient vitamins and minerals, especially rich and easily absorbed calcium.

- Vinamilk Sterilized Milk has a natural nutrient balance that is necessary for health.
- The product, granted HACCP certification, is assembly-line produced in compliance with Dutch RVA standards.
- Vinamilk Sterilized Milk packed in packages with different volumes is suitable for all consumer groups: family, children, adults and beverage shop owners.
- Sweetened, sugar-free, strawberry and chocolate flavored Vinamilk Sterilized Milk in boxes of 250ml and 200ml are convenient for use and good for all ages.
- Sweetened, strawberry and chocolate flavored Vinamilk Sterilized Milk in boxes of 110ml are good for children from 3-8 years of age.
- Sweetened, sugar-free, strawberry and chocolate flavored Vinamilk Sterilized Milk Fino in packages of 250ml and 200ml are convenient and economical for families and beverage shop owners.



3. MILK STERILIZED FRESH MILK

Milk sterilized milk is produced from whole cow milk, rich in vitamins and natural minerals. With optimum D/Ca ratio in the content of Calcium, it helps growing height.

Especially, Milk sterilized milk, manufactured following the exclusive EnerMAX milk formula with a combination of vitamins and minerals, helps balance energy and optimize the ratio of necessary vitamins.

Milk sterilized milk is sterilized in conformance with UHT and contains no preservatives.

Milk sterilized milk, packed in Slim Tetra carton packages of 200ml, comes in different flavors, like sugar-free, sweetened, strawberry and chocolate, and is suitable for children of 4-12 years of age.







Smart is made from fresh milk rich in nutrition and calcium. Smart, added especially with DHA, helps to develop brain and retina on which our intelligence is enhanced.

With optimum D/Ca ratio in the content of Calcium, Smart helps in growing height at the utmost. Packed in carton boxes of 110 ml, Smart is convenient for users.



Flex sterilized milk is produced following the milk formula specifically intended for growing children, for adults, and for the elderly who need nutrition but less fat content to prevent the obesity. Especially, the high content of calcium in Flex helps children develop their bones, makes adults' bones stronger, and prevents osteomalacia for the elderly.

Flex sterilized milk, in 1 liter and 180ml carton boxes, has two different flavors: sweetened and sugar-free, that is convenient for everyone.









DRINKING YOGURT

1. YOMILK:

Yomilk drinking yogurt, made from fermented milk and fresh fruit juice, is very good for your health and skin.

Yomilk is a good taste and rich in nutrition, will help you healthy, dynamic and fresh.

Yomilk helps you to always maintain a good figure, a fresh skin and comfortable.

Yomilk, in different packages, has a variety of tastes, is for teenagers who are sociable, energetic and imaginative.

- Boxes of 150ml: Orange, Strawberry, and Fruits, with a beautiful, youthful and modern package design.
- Boxes of 180ml: Orange, Strawberry, and Fruits, with a traditional package design modified in a young and modern style.

2. SUSU:

SuSu drinking yogurt, made from fermented milk and fruit juice, it's very good for children's health and their digestive system.

Flavors: Orange, Strawberry, and Fruits Packages: UHT boxes of 65ml

- Susu drinking yogurt, made from fermented milk and fresh fruit juice, is very good for children's health and digestive system.
- SuSu drinking yogurt is a nutritious and tasty beverage, making children healthy and dynamic in playing and learning activities.

SuSu drinking milk has three flavors: Orange, Strawberry and Fruits

SuSu is packed modernly in TCA boxes of 65ml. SuSu is suitable for children of O3-O8 years of age.

D. REFRIGERATED FOOD GROUPS

1. YOGURT

Yogurt is leading the market with more than 80% market share. Vinamilk yogurt, processed on well-known European live ferments such as Lactobacillus Bulgaricus and Kefir that are very good for digestive system. We have a wide range of Vinamilk Yougurt products to meet customer's demands. Vinamilk traditional yogurt products include sweetened, fruit and strawberry yogurts. Functional yogurt products, include Plus yogurt, rich in calcium, fibrous matters and low in fat, suitable for people with a dynamic and busy life; and Kefir yogurt, unswetened or fermented. Brand names: VINAMILK yogurt, VINAMILK Plus, Kefir

2. ICE CREAM

Vinamilk ice cream is well-known on its delicious taste. Vinamilk cream includes fresh milk cream packed in 1-liter or 450ml boxes for families and ice cream cups and sticks suitable for families or children.

Brand name: VINAMILK.

3. CHEESE

Vinamilk cheese, made from French technology and packed in boxes of 140g, is very convenient. Vinamilk cheese is rich in energy and calcium, helping children develop their height and intelligence.



BEVERAGES

1. SOYABEAN MILK

Free from cholesterol, packed in boxes of 1liter, 200ml and paper packs, good for dieting people, women and the elderly.

Soya soybean milk is extracted from selected natural soybeans.

2. FRESH FRUIT JUICE

Vinamilk's Fresh is the leading canned fruit juice in Vietnam. Fresh is made from fresh fruits and has a high content of original juice from 40-99%. There are many types of Fresh for consumers' choice: orange, peach, apple, guava, tomato, grape, etc.

Fresh, a nutritious drink with supplemented vitamins, helps improve the immune system and prevent senility. Fresh brings you the feeling of refreshment and optimism.



All refrigerated food products are manufactured on modern technology lines and in conformance with HACCP standards of food safety and hygiene. They are distributed nationwide through shops, supermarkets and retail outlets.



3. ICY BOTTLED DRINKING WATER

ICY pure water is packed in 500ml bottles and 19 liter containers. ICY bottled water is made from underground water specially treated with backward-infiltration technology and sterilized with ultra-violet ray for returning the water its fresh taste and bringing you a natural refreshness.

E. COFFEE GROUP



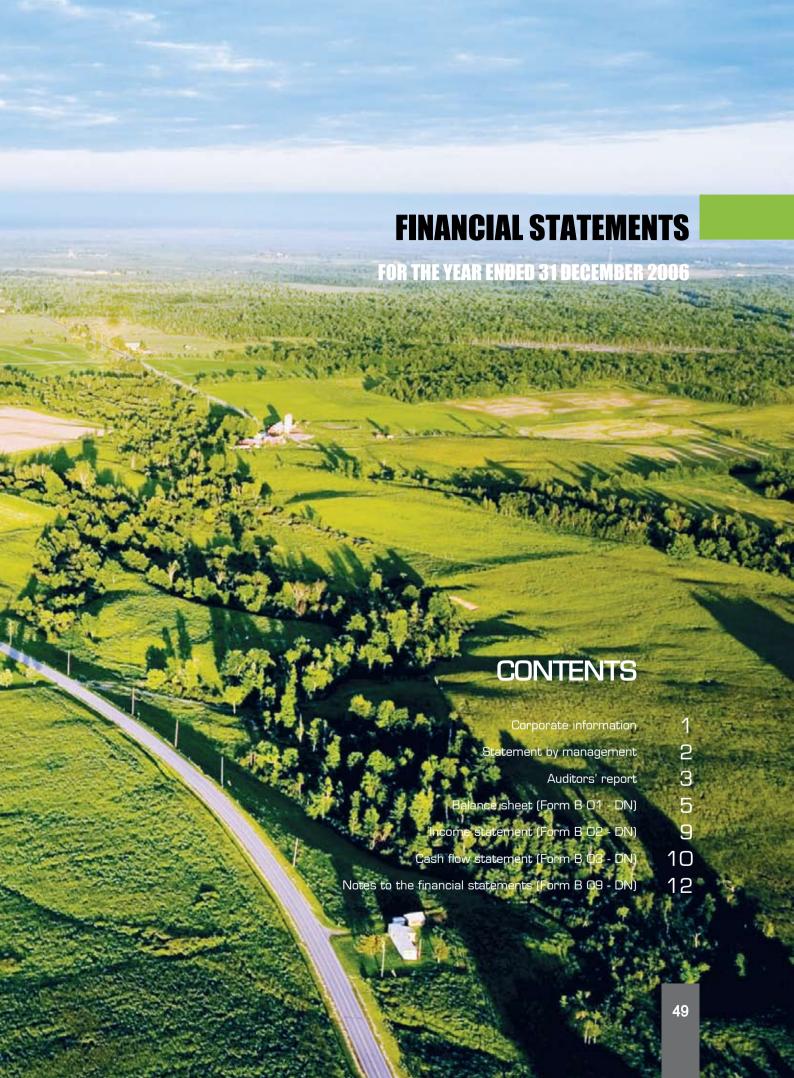
MOMENT COFFEE

Moment coffee, the brand of pure coffee.

Moment coffee, made and extracted from bestquality coffee beans and treated with modern roasting and grounding technology, has a unique flavor and the taste of natural coffee. Moment coffee is packed in luxurious tin boxes (340g) and aluminium bags (200g-500g), which are convenient and economical. The product is distributed nationwide.

Vinamilk's new product Moment coffee marks a further development of the company in product diversification, meeting the increasing demand of Vietnamese customers.





Auditors



PricewaterhouseCoopers (Vietnam) Ltd.

4th Floor, Saigon Tower, 29 Le Duan Street, District 1

Ho Chi Minh City, Vietnam

Telephone: (84-8) 823 0796

Facsimile: (84-8) 825 1947



CORPORATE INFORMATION

Board of Management	Madam Mai Kieu Lien	Chairwoman		
	Mr Hoang Nguyen Hoc	Member		
	Ms Ngo Thi Thu Trang	Member		
	Mr Dominic Scriven	Member		
	Mr Huang Hong Peng	Member		
Board of Directors	Madam Mai Kieu Lien	General Director		
	Ms Nguyen Thi Thanh Hoa	Deputy General Director		
	Ms Nguyen Thi Nhu Hang	Deputy General Director		
	Ms Ngo Thi Thu Trang	Deputy General Director		
	Mr Tran Minh Van	Deputy General Director (appointed on 1 Jul 06)		
	Ông Trần Bảo Minh	Deputy General Director (appointed on 19 Oct. 06)		
Registered Office	184-186-188 Nguyen Dinh	Chieu, Ward 6, District 3, Ho Chi Minh City.		
Investment Licence	Registration Certificate No. 4103001932 dated 20 Nov. 2003 issued			
	by the Planning and Investment Department of Ho Chi Minh City.			
Auditors	PricewaterhouseCoopers (Vietnam) Limited.			

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

The Board of Directors is responsible for financial statements which present fairly the financial position of the Company as at 31 December 2006 and the results of its operations and cash flows for the year then ended. In preparing these 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 financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements set out on pages 5 to 37 which present fairly the financial position of the Company as at 31 December 2006 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.

On behalf of the Board of Directors

Mai Kieu Lien

General Director

Ho Chi Minh City, SR Vietnam 12 March 2007



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

We have audited the accompanying financial statements of Vietnam Dairy Products Joint Stock Company ("the Company"), which comprise the balance sheet as at 31 December 2006, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with Vietnamese and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2006, and its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.

lan S. Lydall

AC No. N.0559/KTV Authorised signatory

PricewaterhouseCoopers (Vietnam) Limited Ho Chi Minh City, SR Vietnam Audit report number HCMxxx 12 March 2007 Le Van Hoa

AC No. 0248/KTV

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As indicated in Note 2.1 to the financial statements, the accompanying 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, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

Form B O1 – DN

BALANCE SHEET As at 31 December 2006

Code	ASSETS	Note	2006	2005
100	CURRENT ASSETS		4 006 204	0.406.477
110		3	1,996,391	2,406,477
111	Cash and cash equivalents	<u> </u>	•	500,312
	Cash		156,195	130,312
112	Cash equivalents	4(-)	700	370,000
120	Short-term investments	4(a)	306,730	22,800
121	Short-term investments		308,430	22,800
129	Provision for diminution in value of short-term investments		(1,700)	
130	Accounts receivable		511,623	706,166
131	Trade accounts receivable		393,898	382,596
132	Prepayments to suppliers		83,172	76,804
135	Other receivables	5	37,218	249,130
139	Provision for doubtful debts		(2,665)	(2,364)
140	Inventories	6	965,826	1,081,501
141	Inventories		980,367	1,081,501
149	Provision for decline in value of inventories		(14,541)	-
150	Other current assets		55,317	95,698
151	Short-term prepayments		22,673	26,764
152	VAT to be reclaimed		7,253	2,692
154	Other taxes receivable	7	24,403	23,808
158	Other current assets		988	42,434
200	LONG-TERM ASSETS		1,613,012	1,491,459
210	Long-term receivables		860	4,018
218	Other long-term receivables		860	4,018
220	FIXED ASSETS		1,071,980	757,373
221	Tangible fixed assets	8(a)	746,661	558,790
222	Cost		1,573,284	1,285,280
223	Accumulated depreciation		(826,623)	(726,490)
227	Intangible fixed assets	8(b)	9,141	9,264
228	Cost		21,504	21,003
229	Accumulated amortisation		(12,363)	(11,739)
230	Construction in progress	8(c)	316,178	189,319

 $[\]ensuremath{^{\star}}$ The notes on pages 12 to 37 are an integral part of these financial statements.

BALANCE SHEET (continued)

As at 31 December 2006

Code	ASSETS (continued)	Note	2006	2005
250	Long-term investments		422,771	609,960
252	Investments in joint ventures and associates	4(b)	131,571	15,605
258	Other long-term investments	4(c)	291,200	594,355
260	Other long-term assets		117,401	120,108
261	Long-term prepayments	9	117,296	117,224
262	Deferred income tax assets	14	-	2,884
268	Other long-term assets		105	-
270	TOTAL ASSETS		3,609,403	3,897,936

 $[\]ensuremath{^{\star}}$ The notes on pages 12 to 37 are an integral part of these financial statements.



Form B 01 – DN

BALANCE SHEET (continued) As at 31 December 2006

Code	RESOURCES	Note	2006	2005
000			074.005	4.054.040
300	LIABILITIES		874,665	1,651,018
310	Current liabilities		785,525	1,579,433
311	Current portion of long term loans	10	17,883	12,263
312	Trade accounts payable		436,869	260,885
313	Advances from customers		2,350	575
314	Taxes and other payables to the State Budget	11	33,589	19,118
315	Payable to employees		30,118	126,808
316	Accrued expenses	12	125,821	62,062
319	Other payables	13	138,895	1,097,722
330	LONG-TERM LIABILITIES		89,140	71,585
331	Long-term trade payables		41,235	59,462
333	Other long-term liabilities		2,700	-
334	Long-term borrowings	10	42,345	10,410
336	Provision for severance allowances		2,860	1,713
400	OWNERS' EQUITY		2,734,738	2,246,918
410	Capital and reserves		2,669,912	2,154,586
411	Paid-in capital	15	1,590,000	1,590,000
412	Share premium	16	54,217	54,217
417	Investment and development fund	16,17	590,245	113,263
418	Financial reserve fund	16,17	93,211	56,632
420	Undistributed earnings	16,17	342,239	340,474
430	Budget sources and other funds		64,826	92,332
431	Bonus and welfare fund	16,17	64,826	92,206
432	Budget sources	16,17	-	126
430	TOTAL RESOURCES		3,609,403	3,897,936

 $[\]ensuremath{^{\star}}$ The notes on pages 12 to 37 are an integral part of these financial statements.

OFF BALANCE SHEET ITEMS

As At 31 December 2006

Million VND

	2006	2005
Goods held under trust or for processing (Million VND)	4,602	4,656
Doubtful debts (Million VND)	239	30
Foreign currencies:		
US\$	3,239,052	1,857,901
EUR	4,771	984
AUD	-	481

Le Thanh Liem

Chief Accountant

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Mai Kieu LienGeneral Director
12 March 2007

 $^{^{\}star}$ The notes on pages 12 to 37 are an integral part of these financial statements.

Form B 02 – DN

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

Million VND

Code		Note	2006	2005
04	Color		C CCD 000	E CEO 000
01 02	Sales		6,662,923	5,659,290
	Less deductions	00(-)	(43,821)	(20,506)
10	Net sales	20(a)	6,619,102	5,638,784
11	Cost of sales	21	(5,012,632)	(4,379,796)
20	Gross profit		1,606,470	1,258,988
21	Financial income	20(b)	74,253	55,373
22	Financial expenses	22	(40,002)	(19,988)
	Including: interest expense		(21,192)	(10,030)
24	Selling expenses		(899,396)	(654,102)
25	General and administration expenses	23	(112,888)	(80,438)
30	Operating profit		628,437	559,833
40	Net other income	24	106,032	42,767
50	Net accounting profit before tax		734,469	602,600
51	Business income tax - current	25	-	-
52	Business income tax - deferred	14	(2,884)	2,884
60	Net profit after tax		731,585	605,484
70	Earnings per share	19	4,601	3,816

Le Thanh Liem

Chief Accountant

SOLONO STANAMINA
SOLONO

Mai Kieu Lien

General Director 12 March 2007

^{*} The notes on pages 12 to 37 are an integral part of these financial statements.

CASH FLOW STATEMENT (Indirect method) FOR the year ended 31 december 2006

Code		2006	2005
	CASH FLOWS FROM OPERATING ACTIVITIES		
01	Net profit before tax	734,469	602,600
	Adjustments for:	101,225	77,636
02	Depreciation and amortisation	16,542	(1,673)
03	Provisions	2,249	1,191
04	Unrealised foreign exchange losses	(54,835)	(51,263)
05	Profits from investing activities	21,192	10,030
06	Interest expense		
08	Operating profit before changes in working capital	820,842	638,521
09	Decrease/(increase) in receivables	205,551	(336,168)
10	Decrease/(increase) in inventories	125,446	(287,452)
11	(Decrease)/increase in payables	(580,520)	650,594
12	Increase/(decrease) in prepaid expenses	4,019	(62,451)
13	Interest paid	(21,192)	(9,999)
15	Other receipts from operating activities	51,139	5,092
16	Other payments on operating activities	(105,814)	(24,482)
20	Net cash inflows from operating activities	499,471	573,655
	CASH FLOWS FROM INVESTING ACTIVITIES		
21	Purchases of fixed assets	(609,510)	(242,088)
22	Proceeds from disposals of fixed assets	-	1,798
23	Purchases of equity securities	(904,974)	(525,154)
24	Proceeds from sales of equity securities	965,586	339,931
25	Investments in other entities	(129,440)	(32,028)
26	Proceeds from divestments in other entities	22,460	14,047
27	Dividends and interest received	66,475	56,905
30	Net cash outflows from investing activities	(589,403)	(386,589)

 $[\]ensuremath{^{\star}}$ The notes on pages 12 to 37 are an integral part of these financial statements.

Form B 03 - DN

CASH FLOW STATEMENT (Indirect method - continued) FOR THE YEAR ENDED 31 DECEMBER 2006

Million VND

Code		Note	2006	2005
	CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issuance of shares		-	64,990
33	Proceeds from borrowings		1,051,565	567,384
34	Repayments of borrowings		(1,014,011)	(585,954)
36	Dividends paid		(290,974)	(247,678)
40	Net cash outflows from financing activities		(253,420)	(201,258)
50	Net decrease in cash		(343,352)	(14,192)
60	Cash and cash equivalents at beginning of year	3	500,312	515,695
61	Effect of foreign exchange differences		(65)	(1,191)
70	Cash and cash equivalents at end of year	3	156,895	500,312

Le Thanh Liem

Chief Accountant



Mai Kieu Lien

General Director 12 March 2007

 $^{^{\}star}$ The notes on pages 12 to 37 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 in accordance with Decision No. 420/CNN/TCLD dated 29 April 1993. On 1 October 2003, it was equitised following Decision No. 155/2003/QD-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 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.

In 2006, the shareholding of 50.01% owned by the Ministry of Industry was transferred to the State Capital Investment Corporation, a representative of the Government.

The principal activities of the Company are:

- Manufacture and distribute bottled milk, powdered milk, nutritious powder, milk cake, fresh milk, soya milk, refreshment drinks and other products from milk;
- Trading in food technology, spare parts, equipment, materials and chemicals;
- Real estate investment business, real estate management;
- Warehousing and transportation services;
- 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; and
- Health care clinic operations.

As at 31 December 2006, the Company had 3 branches, 8 plants, 1 central warehouse, a transportation division and a medical clinic.

In December 2006, the Company had established two 100% owned subsidiaries in real estate and cow raising activities. Both of the entities were not yet in operations as at 31 December 2006.

As at 31 December 2006, the Company had 3,981 employees (2005: 3,158 employees).

2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

2.1. Basis of preparation of financial statements

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

As at 31 December 2006, the two subsidiaries of the Company have no capital and are not yet in operations. Transactions of the subsidiaries for the period ended 31 December 2006 are insignificant, therefore, no consolidated financial statements have been prepared.

Form B 09 - DN

2.1. Basis of preparation of financial statements (continued)

The accompanying 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.

In 2006, the Company adopted the following Vietnamese Accounting Standards, which were issued by the Ministry of Finance:

VAS 18: Provisions, contingent assets and liabilities

VAS 30: Earning per share

The effect of adopting these new Standards is set out in the accounting policies below.

2.2 Fiscal year

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

2.3 Currency

The financial statements are prepared in Million of 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 rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.4 Form of records applied

The Company uses voucher ledgers to record its transactions.

2.5 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.

2.6 Capital

Ordinary shares 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 Company purchases its equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Company'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 Company's equity holders.

2.7. Trade receivables

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

2.8. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method an 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.

2.9. Investments

Short-term investments

Short-term investments are those with maturities less than 12 months from the balance sheet date.

(b) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost.

(c) Investments in joint ventures and associates

Investments in joint ventures and associates are accounted for at cost.

(d) Long-term investments

(i) Long-term bank deposits

Long-term bank deposits are those with original maturity of more than three months and maturing after one year from the balance sheet date.

(ii) Investments in bonds

Investments in bonds are accounted for at cost and are held with no intention to dispose within 12 months of the balance sheet date.

(iii) Other long-term investments

Investments in listed and unlisted entities are accounted for at cost and are held with no intention to dispose within 12 months of the balance sheet date.

Form B 09 - DN

2.10. 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 over their estimated useful lives. The principal annual rates used are:

Years

Buildings and structures	10 - 50
Machinery and equipment	10
Motor vehicles	10
Office equipment	3 - 8
Software	2 - 3

The Company has land use rights for an indefinite period of time. The amortisation of the Company's land use rights ceased from 1 January 2004 in accordance with Decision No. 206/2003/QD-BTC issued by the Ministry of Finance dated 12 December 2003.

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.

2.11. 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 a straight-line basis over the period of the lease.

2.12. 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.

2.13. 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) Processing services

Revenue from processing services is recognised in the income statement when the goods have been processed and accepted. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

2.13. Revenue recognition (continued)

(c) 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.

(d) Interest income

Interest income is recognised on an earned basis.

(e) Dividend income

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

2.14 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.

Deferred income tax assets relating to tax loss carry-forwards are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

2.15 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 and Vietnamese regulatory requirements. 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.

2.16 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



Form B 09 - DN

2.16 Method of reserve appropriation (continued)

Utilisation of the above reserve funds requires approval of either the General Director, the Board of Management or the shareholders depending on the nature and magnitude of the transactions involved as stated in the Company's Charter and financial policies.

2.17. 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.

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

2.18. Provisions

Provisions are recognised when: the Company has 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.19. Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Company 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. A provision for severance allowances is made for the estimated liability for employment termination as a result of services rendered by employees up to the balance sheet date. The Company's provision for severance allowance is calculated by application of Decree No. 39/2003/ND-CP dated 18 April 2003 and Circular 82/2003/TT-BTC dated 14 August 2003. Provision is made at 3% of the total basic salary used in social insurance calculation for the year.

2.20. Segmental information

The Company identifies its operating segments based on geographical locations where the risks and returns are different in each of the economic environments. For all periods presented, the Company operated in two segments: domestic market and export market.

3. CASH AND CASH EQUIVALENTS

Million VND

	2006	2005
Cash on hand	1,456	1,457
Cash at bank	143,870	116,300
Cash in transit	10,869	12,555
Short-term bank deposits	700	370,000
	156,895	500,312

4. INVESTMENTS

(a) Short-term investments

Million VND

	Note	2006	2005
Investments in equity securities	(i)	191,959	-
Short-term deposits		-	22,800
Loan to SABMiller Vietnam Joint Venture Company	(ii)	116,471	-
Provision for diminution in value of short-term investments	(i)	(1,700)	-
		306,730	22,800

(i) Investments in equity securities comprise shares of listed and unlisted companies and investment funds. Included in the balance is VND60,184 million relating to the value of shares in a listed company that the Company had agreed to transfer to a third party. However, the transfer procedures had not been completed as at 31 December 2006 and, therefore, the legal ownership remained with the Company as at that date. The Company had received, in advance, a payment of VND60,786 million from the third party as purchase consideration for the shares and the Company had recorded this amount as a payable until the legal ownership has been transferred (Note13(b)).

Provision for diminution in value of short term investments is made to reflect the reduction in market prices of the related shares.

(ii) In 2006, the Company granted SABMiller Vietnam Joint Venture Company an interest free loan of VND116,471 million repayable within 12 months in accordance with the joint venture contract the Company entered into with SABMiller Asia (Note 30(a)).

Form B 09 - DN

4. INVESTMENTS (continued)

(b) Investments in joint ventures and associates

Million VND

	Note	2006	2005
SABMiller Vietnam Joint Venture Company	(i)	108,047	-
Campina Joint Venture Company	(ii)	18,624	10,705
Horizon Apartment - Business Cooperation Contract	(iii)	4,900	4,900
		131,571	15,605

(i) SABMiller Vietnam Joint Venture Company (SABMiller)

The Company has a 50% interest in SABMiller, which produces beer products.

SABMiller registered an investment capital of US\$45 million and a legal capital of US\$13.5 million. The amount of VND108,047 million reflects the contribution of legal capital made by the Company to SABMiller as at 31 December 2006. SABMiller is in the pre-operating stage as at 31 December 2006.

(ii) Campina Joint Venture Company (Campina)

The Company has a 50% interest in Campina, which provides dairy products.

The total investment the Company made to Campina amounted to VND31,798 during 2006 with the conversion of VND13,124 million loan to legal capital contribution in Campina (Note 5) plus an additional capital contribution of VND7,969 million made by the Company to Campina during the year. In January 2007, the Company agreed with its joint venture partner in Campina to sell to it its 50% shareholding for an amount of VND18,624 million (Note 32(a)). Accordingly, the Company has recorded a loss on investment of VND13,174 million in 2006 (Note 22).

(iii) Horizon Apartment - Business Cooperation Contract

On 7 June 2004, the Company entered into a Business Cooperation Contract with FICO Real Estate Company and Real Estate Finance Joint-Stock Company for the construction, management, marketing and operation of the Horizon Apartment Project with an estimated investment capital of VND285,000 million. The Company's financial interest in this project is 24.5% (Note 30(b)). Contribution of the investment capital is requested as and when required based on the progress of the project. The project is in the early stages of construction as at 31 December 2006.

4. INVESTMENTS (continued)

(c) Other long-term investments

Million VND

	Note	2006	2005	
Long-term bank deposits	(i)	170,000	492,000	
Bonds	(ii)	11,050	53,055	
Other long-term investments	(iii)	110,150	49,300	
		291,200	594,355	

(i) Long-term bank deposits

Represent bank deposits with original maturity of over three months and maturing after one year from the balance sheet date.

(ii) Bonds

Represent purchases of bonds in Government and in a listed company maturing within 3 to 5 years from the balance sheet date. Coupon rates range from 8% to 9.5% per annum.

(iii) Other long-term investments

Other long-term investments comprise shareholdings in listed and unlisted companies and investment funds. These investments are held not for sale in the near future.

5. OTHER RECEIVABLES

Million VND

	2006	2005
Receivable from employees (Note 15)	12,617	203.734
Receivable from bonus and welfare fund (Note 15)	8,737	11.444
Loan to Campina	-	13.124
Interest income	1,267	5.606
Other receivables	14,597	15.222
	37,218	249.130

During the year, loan to Campina was converted to legal capital contribution made by the Company to Campina. Accordingly, the amount was reclassified to investment in Campina (Note 4(b)(ii)).

VND42,434 million of the 2005 comparative figure was reclassified to "Other current assets" account to conform with current year's presentation.



Form B 09 - DN

6. INVENTORIES

Million VND

	2006	2005
Goods in transit	75,331	166,432
Raw materials	720,496	711,336
Tools	12,946	714
Merchandise	4,418	5,291
Finished goods	167,176	197,728
Provision for decline in value of inventories	(14,541)	-
	965,826	1,081,501

Included in raw materials is VND24,311 million of newly purchased equipment and machinery that are not yet put into construction (2005: VND30,593 million).

7. OTHER TAXES RECEIVABLE

Million VND

	2006	2005
Business income tax to be reclaimed (Note 13(a))	23,808	23,808
Others	595	-
	24,403	23,808

VND2,692 million of the 2005 comparative figure was reclassified to "VAT to be reclaimed" account to conform with the current year's presentation (Note 11).

8. FIXED ASSETS

(a) Tangible fixed assets

Million VND

	Idings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
Historical cost					
At 1 January 2006	190,230	948,503	110,406	36,141	1,285,280
New purchases	1,011	6,283	9,984	58,538	75,816
Transferred from construction progress	56,164	156,529	-	-	212,693
Disposals	-	(182)	(258)	(65)	(505)
At 31 December 2006	247,405	1,111,133	120,132	94,614	1,573,284
Accumulated depreciation					
At 1 January 2006	97,159	545,379	64,385	19,567	726,490
Charge for the year	8,074	76,015	7,595	8,917	100,601
Disposals	-	(182)	(258)	(28)	(468)
At 31 December 2006	105,233	621,212	71,722	28,456	826,623
Net book value					
At 1 January 2006	93,071	403,124	46,021	16,574	558,790
At 31 December 2006	142,172	489,921	48,410	66,158	746,661

As at 31 December 2006, fixed assets with a carrying value of VND43,970 million (2005: VND50,538 million) have been pledged as security for long-term borrowings granted to the Company (Note 10(a)(i)).

Total borrowing cost that has been capitalised for the year ended 31 December 2006 is VND1,570 million (2005: Nil).

Historical costs of fully depreciated fixed assets as at 31 December 2006 were VND528,080 million (2005: VND380,642 million).

8. FIXED ASSETS (continued)

(b) Intangible fixed assets

Million VND

	Land use rights	Software	Total
Historical cost			
Historical cost			
At 1 January 2006	19.900	1.103	21.003
New purchases		501	501
At 31 December 2006	19.900	1.604	21.504
Accumulated amortisation			
At 1 January 2006	11.608	131	11.739
Charge for the year		624	624
At 31 December 2006	11.608	755	12.363
Net book value			
At 1 January 2006	8.292	972	9.264
At 31 December 2006	8.292	849	9.141

The amortisation of land use rights ceased from 1 January 2004 following the Decision No. 206/2003/QD-BTC issued by the Ministry of Finance dated 12 December 2003.

(c) Construction in progress

	2006	2005
Onorine halance	400 040	4400 007
Opening balance	189,319	1139,007
Additions	659,396	232,154
Transferred as result of business combination	-	18,304
Transferred to tangible fixed assets	(212,693)	(160,839)
Reclassifications	-	(37,328)
Sale of assets to SABMiller (Note 20(a))	(310,817)	-
Writte-offs	(9,027)	(1,979)
Closing balance	316,178	189,319

8.FIXED ASSETS (continued)

(c) Construction in progress (continued)

As at 31 December 2006, included in construction in progress are:

- (i) VND54,017 million of assets that the Company purchased through an opening auction held by Tuyen Quang People's Committee. The assets, comprising milk cows and facilities, will be transferred to the Company's newly established subsidiary in 2007.
- (ii) A milk production line for Tien Son factory of VND28,907 million.
- (iii) A boxing, packaging and labelling line of VND28,092 million.
- (iv) A can production line of VND61,998 million.
- (v) A milk pouring machine of VND27,730 million.
- (vi) Construction work of VND20,159 million for the plants in My Phuoc Industrial Zone.
- (vii) ERP systems of VND14,079 million.

The above can production line of VND61,998 is to be pledged, upon completion and transferring to tangible assets, as security for long-term borrowings granted to the Company (Note 10(a)(ii)).

9. LONG-TERM PREPAYMENTS

Million VND

	2006	2005
Opening balance	117,224	45,974
Additions	25,781	109,023
Amortisation for the year	(1,468)	(18,159)
Sale of assets to SABMiller (Note 20(a))	(21,934)	-
	119,603	136,838
Less: Current portion	(2,307)	(19,614)
Closing balance	117,296	117,224

Included in the amount is a land compensation cost of VND64,294 million relating to the land lease in My Phuoc Industrial Zone. The land compensation cost is amortised on a straight-line basis over the period of the lease which is from January 2005 to June 2052. Other long term prepayments are mainly related to prepaid land rentals.



10. LONG-TERM BORROWINGS

Đơn vị tính: Triệu đồng

	Note	2006	2005
Syndicated loans	(a)	59.817	20,000
Binh Dinh Investment and Development Fund	(b)	411	2,673
		60.228	22,673
Less: Current portion		(17.883)	(12,263)
		42.345	10,410

(a) Syndicated loans comprise:

- (i) A syndicated long-term loan signed with Ho Chi Minh City Investment and Development Fund (35%) and other local banks (65%) in 2003 to finance the construction of a new factory and the procurement of machinery for Saigon Milk Joint Stock Company, a company which was merged into the Company in 2004. The loan is repayable on quarterly instalments up to November 2007. The loan bears interest at the average interest rate of 12 month time deposit plus 1% per annum. The People's Committee of Ho Chi Minh City is subsidising the Company with 3% of the applicable interest rate. The loan is secured by the fixed assets acquired from using this loan. The remaining VND10.000 million of the loan is due within 2007.
- (ii) A syndicated long-term loan signed with Ho Chi Minh City Investment and Development Fund (40%) and Vietcombank Ho Chi Minh branch (60%) to finance the condensed milk packing production line at Thong Nhat factory. The loan is repayable on quarterly instalments and within 5 years commencing on 1 April 2007. The loan bears interest at the average interest rate of 12 month time deposit plus 2.4% per annum. Insurance contract for the assets purchased using this loan during the construction phase is used as security for the loan until the completion of the construction whereby the fixed assets themselves are to be used as security for the loan. The amount due to be repaid within 2007 is VND7,472 million.
- (b) This is a 21 month loan contract signed in July 2005 for the purpose of funding a factory project. The loan bears interest at 4.2% per annum, and is repayable in seven quarterly instalments commencing from 1 July 2005. As at 31 December 2006, the remaining outstanding loan balance is VND411 million and is repayable within 2007.

11. TAXES AND OTHER PAYABLES TO THE STATE BUDGET

Million VND

	2006	2005
VAT on domestic sales	11,694	10,934
VAT on importation	7,204	2,692
Import – Export duties	6,153	5,210
Personal income tax	6,859	282
Other taxes	1,679	-
	33,589	19,118

12. ACCRUED EXPENSES

Million VND

	2006	2005
Sales bonus for customers	88,035	53,457
Advertising expenses	23,315	183
Transportation expenses	5,644	3,833
Exporting fees	4,056	-
Repairs and maintenance expenses	1,955	565
Others	2,816	4,024
	125,821	62,062

To conform with the current year's presentation, VND63,096 million of the 2005 comparative figure has been reclassified to the following accounts:

(a) VND61,383 million was reclassified to Payable to the State in "Other payables" account.

(b) VND1,713 million was reclassified to "Provision for severance allowances" account.

13. OTHER PAYABLES

Đơn vị tính: Triệu đồng

	2006	2005
	1.307	189,999
(a)	63,967	898,673
	7,103	5,181
(b)	66,518	3,869
	138,895	1,097,722
		7,103 (b) 66,518

Included in the balance is VND23,808 related to an overpayment of business income tax for periods prior to equitisation (1 December 2003). The amount is to be refunded by the tax authority (Note 7); however, the Company has an obligation to return this amount to the State once its has received the refund.

(b) Included in the balance is an amount of VND60,786 million received from a third party for a sale of shares (Note 4(a)(i)).



14. DEFERRED INCOME TAX

The gross movement on the deferred income tax account is as follows:

Million VND

	2006	2005
Opening balance	2,884	-
Income statement (credit)/charge	(2,884)	2,884
Closing balance	-	2,884

The effective tax rate for business income tax is nil in 2007. Accordingly, no deferred taxation is applicable to the temporary differences identified in the year.

15. STRUCTURE OF SHAREHOLDING

	Sta	te	Local i	nvestors	Foreign	investors	To	otal
	Number of	Percentage of						
	share	shareholding	share	shareholding	share	shareholding	share	shareholding
	(thousand)	(%)	(thousand)	(%)	(thousand)	(%)	(thousand)	(%)
At 31 December 2004	120,000	76.47	30,260	19.28	6,663	4.25	156,923	100
Net movement in the year	(40,480)		3,516		39,041		2,077	
At 31December 2005	79,520	50.01	33,776	21.25	45,704	28.74	159,000	100
Net movement in the year	-	-	(17,040)		17,040		-	
At 31 December 2006	79,520	50.01	16,736	10.53	62,744	39.46	159,000	100

In accordance with Decree 144/2003/ND-CP on Securities and Stock Exchange issued by the Vietnamese Government, listed shares must have par value at VND10,000. As a result, par value of the Company's shares was changed from VND100,000 to VND10,000 upon listing (on 19 January 2006) and the total number of ordinary shares changed from 15,900,000 to 159,000,000. Included in total shares held by local investors are 1,353,230 shares with purchase value of VND21,354 million that the Company purchased from the State before 2006 for distribution to employees. These shares have not yet been allocated as at 31 December 2006.

Upon allocation, these shares will be paid for using:

Receivable from employees (Note 5)	12,617
Bonus and welfare fund (Note 5)	8,737
	21,354

16. MOVEMENTS IN OWNERS' EQUITY

	Paid-in capital	Share premium	Investment and development fund	Financial reserve fund	Bonus and welfare fund	Budget sources	Undistributed earnings	Total
As at 1 January 2005	1,569,237	9,990	52,715	26,358	36,985	301	156,660	1,852,246
Capital increase during the year	20,763	44,227	1		1		1	64,990
Transferred as result of business combination	ı	ı	1		75		1	75
Profit for the year	ı	i	•	•	ı		605,484	605,484
Appropriation of net profit after tax	ı	ı	60,548	30,274	60,548	ı	(151,370)	1
Dividends declared	ı	ı	1	1	14,674	ı	(270,300)	(255,626)
Movement of reserve funds in the year (Note 17)	ı	ı	1	1	(20,076)	(175)	1	(20,251)
As at 31 December 2005	1,590,000	54,217	113,263	56,632	92,206	126	340,474	2,246,918
Profit for the year	ı	ı	•	1	ı	ı	731,585	731,585
Appropriation of net profit after tax	ı	ı	476,982	36,579	73,159	ı	(586,720)	ı
Dividends declared	ı	ı	1	1	1,217	ı	(143,100)	(141,883)
Movement of reserve funds in the year (Note 17)	ı	ı	•	1	(101,756)	(126)	ı	(101,882)
As at 31 December 2006	1,590,000	54,217	590,245	93,211	64,826	1	342,239	2,734,738



17. SIGNIFICANT MOVEMENTS IN RESERVE FUNDS

				mmon trib
	Note	Investment and development fund		Bonus and welfare fund
As at 1 December 2005		52.715	26,358	36,985
Appropriation of net profit after tax		60.548	30,274	60,548
Dividends related to unallocated shares for employees (Note 18)		-	-	14,674
Transferred as result of business combination		-	-	75
Bonus paid to employees		-	-	(20,574)
Payments for employee welfare expenses		-	-	(1,172)
Others		-	-	1,670
As at 31 December 2005		113.263	56,632	92,206
Appropriation of net profit after tax		476.982	36,579	73,159
Dividends related to unallocated shares for employees (Note 18)	(a)	-	-	1,217
Bonus paid to employees		-	-	(83,341)
Payments for employee welfare expenses and donations		-	-	(8,017)
Write-off of loans to employees	(b)	-	-	(7,681)
Others	(c)	-	-	(2,717)
As at 31 December 2006	(d)	590.245	93,211	64,826

- (a) Included in the amount appropriated to investment and development fund is VND403,823 million relating to business income tax savings for the years 2004, 2005 and 2006 (estimated) as a result of tax exemption given to the Company upon equitisation. According to Circular 499/TC/TCDN issued by the Ministry of Finance, the savings have to be used for the investment and the development of the Company. Accordingly, the amount was appropriated to the investment and development fund.
- (b) Included in total bonus granted to employees is VND31,975 million specifically for the event of Vinamilk's 30th anniversary which was approved by the General Director.
- (c) Loans granted to employees using the bonus and welfare fund in 1996 had been written-off in 2006 with the approval from the General Director.
- (d) Other payments using the bonus and welfare fund are expenses for local Trade Union, staff meetings and other employee related activities as approved by the General Director.

18. DIVIDENDS

During 2006, the Company declared and paid interim dividends amounting to VND143,100 million (VND900 per share) of which VND1,217 million (2005: VND14,674 million) is related to dividends of the shares that the Company purchased on behalf of employees (Note 15). This amount is recorded as an increase in the bonus and welfare fund (Note 17).

- Dividends in respect of the year ended 31 December 2006 are to be proposed at the Company's Annual General Meeting in 2007.
- Dividends declared after the fiscal year end (dated 15 January 2007):
- Common share: VND1,000

19. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Million VND

	2006	2005
Net profit attributable to shareholders (Million VND)	731,585	605,484
Weighted average number of ordinary shares in issue (Thousand)	159,000	158,654
Basic earnings per share (VND)	4,601	3,816

20. REVENUE

(a) Net sales

	2006	2005
Sales		
Sales of goods	6,168,666	5,490,419
Sales of merchandise and materials	149,163	162,622
Sales of services	10,576	6,249
Sale of assets to SABMiller	334,518	-
	6,662,923	5,659,290

20. REVENUE (continued)

(a) Net sales (continued)

Million VND

	2006	2005
Sales deductions		
Trade discounts	(9,426)	(11,768)
Sales allowances	-	(678)
Sales returns	(34,395)	(8,060)
	(43,821)	(20,506)
	6,619,102	5,638,784

Sale of assets to SABMiller comprises VND310,817 million of assets under construction (Note 8(c)), VND21,934 million of long-term rental prepayments (Note 9) and VND1,767 million of other assets. The cost of the assets, of the same amount, is recorded in cost of sales (Note 21). This arrangement is in accordance with the joint venture contract entered into between the parties to the joint venture.

(b) Financial income

Million VND

2006	2005
34,268	40,506
17,968	-
7,740	5,752
5,230	3,562
5,170	4,811
3,877	742
74,253	55,373
	34,268 17,968 7,740 5,230 5,170 3,877

21. COST OF SALES

2006	2005	
4,237,955	4,223,063	
423,421	152,686	
2,197	4,047	
334,518	-	
14,541	-	
5,012,632	4,379,796	
	4,237,955 423,421 2,197 334,518 14,541	4,237,955 4,223,063 423,421 152,686 2,197 4,047 334,518 - 14,541 -

22. FINANCIAL EXPENSES

Million VND

	2006	2005
Interest expense	21,192	10,030
Foreign exchange losses	3,896	9,263
Loss from investment in Campina (Note 4(b)(ii))	13,174	-
Other financial expenses	1,740	695
	40,002	19,988

23. GENERAL AND ADMINISTRATION EXPENSES

The following items have been included in general and administration expenses:

Million VND

	2006	2005
Depreciation and amortisation	16,354	19,861
Staff costs	22,890	14,025
Rental expenses	9,511	6,523
Doubtful debts charge in the year	510	-

24. NET OTHER INCOME

	Note	2006	2005
Other income			
Reversal of unused salary budget	(a)	93,600	-
Refund of taxes		-	36,232
Gains on disposals of fixed assets		-	3,660
Rebate income from suppliers		7,728	-
Sundry income		5,914	5,220
		107,242	45,112
Other expenses			
Losses on disposals of fixed assets		-	(1,821)
Sundry expenses		(1,210)	(524)
		(1,210)	(2,345)
Net other income		106,032	42,767

24. NET OTHER INCOME (continued)

(a) The amount was related to part of a cumulative salary budget that the Company had accrued in previous years to consider supporting the employees in the purchase of the Company's shares. Management however had decided that the Company's shares were to be purchased by the employees with their own funds. Accordingly, the amount was reversed to other income in 2006.

25. TAXATION

The Company is required to pay business income tax ("BIT") at rates ranged from 15% to 28%, depending on locations of the factories, on taxable profits.

The Company was entitled to two years BIT exemption after equitisation in December 2003 and a 50% reduction in the following two years in accordance to Circular 98/2002/TT-BTC dated 24 October 2002 issued by Ministry of Finance. The Company was also entitled to a 50% reduction during two years after the listing its shares in Ho Chi Minh City Stock Exchange (on 19 January 2006) in accordance to Letter No. 11924/TC-CST dated 20 October 2004 issued by Ministry of Finance. The General Department of Taxation had approved for the Company to combine the above tax incentives, in Letter No. 1591/TCT-CST dated 4 May 2006, which resulted in a year of full tax exemption for 2006.

26. RELATED PARTY TRANSACTIONS

The Company is controlled by the State Capital Investment Corporation which owns 50.01% of the Company's share capital.

(a) Transactions and balances with SABMiller:

Million VND

Transactions	2006	2005
Sales of assets to SABMiller (Note 20(a))	334,518	-
Investment in SABMiller (Note 4(b)(i))	108,047	-
Loan granted to SABMiller (Note 4(a)(ii))	116,471	-

Million VND

Balances	2006	2005
Loan granted to SABMiller (Note 4(a)(ii))	116,471	-

(b) Transactions and balances with Campina:

Transactions	2006	2005
Sales of goods to Campina	49,522	17,965
Purchases of goods from Campina	32,459	13,243
Loan granted to Campina (Note 4(b)(ii))	7,969	13,124
Investment in Campina	-	10,705

26. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with Campina:

Million VND

Balances	2006	2005
Receivable from Campina	-	4,645
c) Transactions and balances with Vegetable Oil Joint Stock Com	ipany:	Million VN
Transactions	2006	2005
Purchase of goods from Vegetable Oil Joint Stock Company	48,480	12,123
		Million VN
Balances	2006	2005
Payable to Vegetable Oil Joint Stock Company	5,775	2,980
d) Compensation of key management:		Million VN
	2006	2005

27. SEGMENTAL INFORMATION

Gross salaries and other benefits

At 31 December 2006, management has determined reportable segments; namely domestic market and export market. The Company analyses segment revenue and cost of revenue. The segment results for the year ended 31 December 2006 are as follows:

Million VND

10,161

10,599

	Domestic	Export	Total
Sales revenue	5,339,299	1,279,803	6,619,102
Cost of sales Gross profit	(4,032,496) 1,306,803	(980,136) 299,667	(5,012,632) 1,606,470

Included in domestic sales revenue is VND334,518 million and cost of sales of the same amount relating to the transaction of the sale of assets to SABMiller (Note 20(a)).



27. SEGMENTAL INFORMATION (continued)

The segment results for the year ended 31 December 2005 are as follows:

Million VND

	Domestic	Export	Total
Sales revenue	4,252,421	1,386,363	5,638,784
Cost of sales	(3,241,398)	(1,138,398)	(4,379,796)
Gross profit	1,011,023	247,965	1,258,988

28. COMMITMENTS UNDER OPERATING LEASES

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

Million VND

	2006 (Property)	2005 (Property)
Militin di unana	0.005	4.4.000
Within 1 year	3,825	14,239
Between 1 and 5 years	5,648	17,587
Over 5 years	47,002	51,435
Total minimum payments	56,475	83,261

Operating lease commitments represent land and office rentals for the Company's factories and branches.

29. CAPITAL COMMITMENTS

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

	2006	2005
Property, plant and equipment	121,309,021	24,730

30. OTHER COMMITMENTS

(a) Joint venture contract with SABMiller Asia

As stated in the joint venture contract signed with SABMiller Asia, the Company has a commitment to provide an interest free loan of US\$15.75 million to SABMiller. As at 31 December 2006, the Company had remitted to SABMiller US\$7.25 million

(equivalent to VND116,471 million) (Note 4(a)(ii)). The remaining US\$8.5 million is to be granted as and when required.

(b) Horizon Apartment project

As stated in the contract the Company entered into with FICO Real Estate Company and Real Estate Finance Joint-Stock Company, the Company is committed to contribute 24.5% of the estimated investment capital of VND285,000 million, which is VND69,825 million. The contribution of the investment capital is requested as and when required based on the progress of the project. As at 31 December 2006, the Company had contributed VND4,900 million (Note 4(b)(iii)).

31. CONTINGENT ASSETS

In the rental contract No.10/2005/CTHT/HDKT date 19 May 2005 signed between the Infrastructure Development Investment Company of Bac Ninh Province and the Company, and together with Letter No. 550/KTTH-CT, dated 18 May 2005 issued by the Peoples Committee of Bac Ninh Province, it stated that Bac Ninh Province would undertake to support the Company with land rental cost. The support amounts are estimated at VND4,830 million for 2007 and VND10,370 million for 2008. However, the support amounts are subject to changes by the Peoples Committee of Bac Ninh Province depending on the progress and results of the Companys investment.

32. EVENTS AFTER THE BALANCE SHEET DATE

(a) Sale of shareholding in Campina

In January 2007, the Company withdrew its investment in Campina with a sale of its 50% shareholding in Campina to the foreign joint venture partner for an amount of VND18,624 million (Note 4(b)(ii)). The Company had recorded a loss on investment of VND13,174 million to reflect a loss on its total investment of VND31,798 million in Campina. The joint venture parties are proceeding with the necessary legal procedures to amend Campina's Investment Licence to effect this change. This is outstanding at the date of this report.

(b) New share issuance

On 15 November 2006, the State Securities Commission issued Letter No. 66/UBCK – ĐKPH approving the Company for the issuance of 18,050,475 shares in order to increase its capital. In January 2007, the Company issued 7,950,000 shares at VND138,392.50 per share. The remaining shares will be issued within 2007. As a result of the above issuance of shares, the shareholding of the State Capital Investment Corporation has reduced to below 50%.

33. COMPARATIVE FIGURES

Following the issuance of new Vietnamese Accounting Standards in this period, certain comparative figures have been reclassified to conform to the current period's presentation.

The financial statements were approved by the Board of Directors on 12 March 2007.

Le Thanh Liem

Chief Accountant

Mai Kieu Lien

General Director 12 March 2007



CÔNG TY CỔ PHẦN SỮA VIỆT NAM VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

03.2007