



VINAMILK
Annual Report 2009

Belief in
TRUE VALUES



FOR THE BRIGHT FUTURE
OF THE NEXT GENERATION



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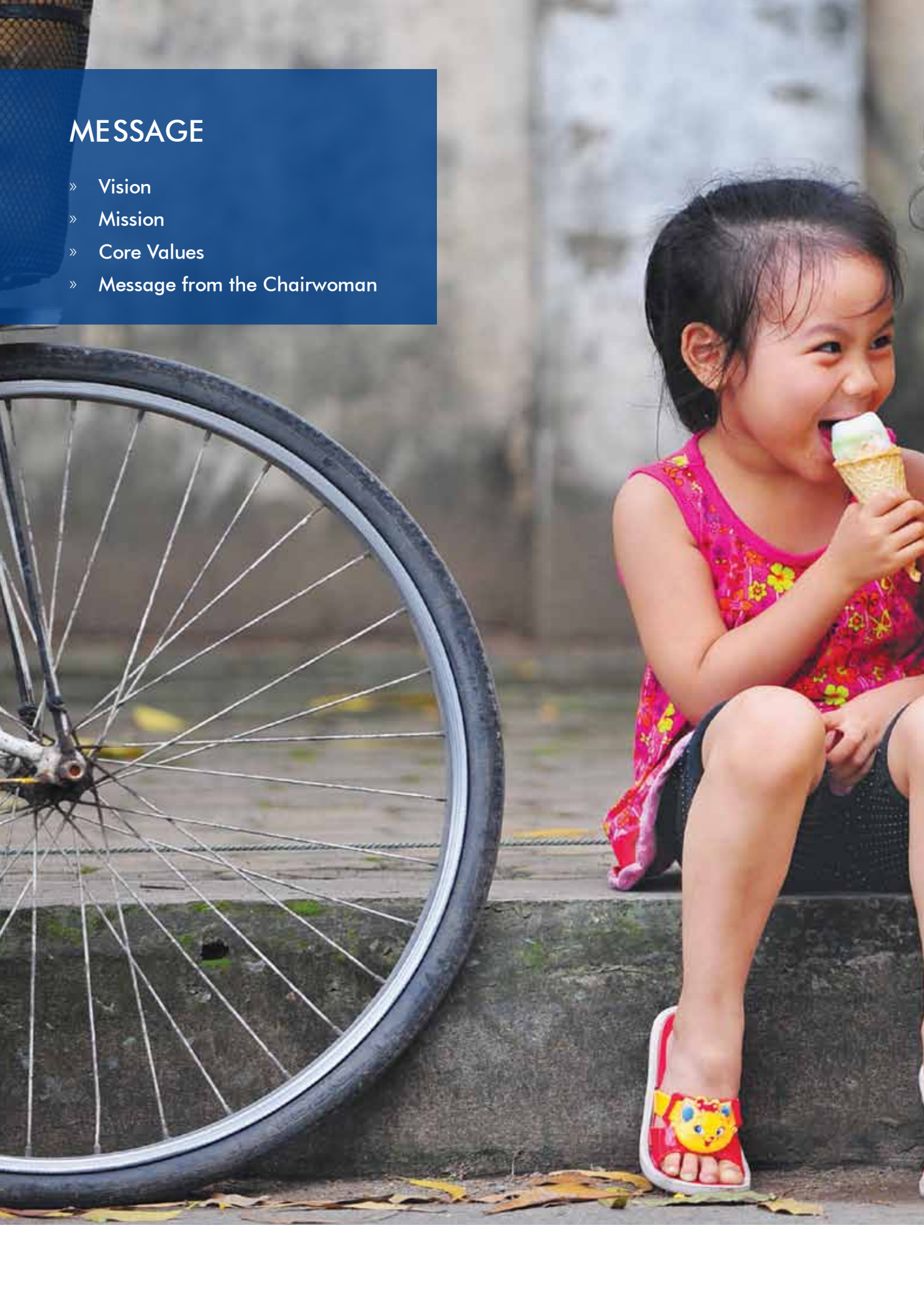
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MESSAGE

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A true **FLAVOR**



VISION

"To become the leading Vietnamese trusted brand on nutrient and healthy products for human life and to be positioned one of 50 biggest dairy companies over the world"

MISSION

"Vinamilk commits to bring the communities the best-quality nutrition source that conveys our respectability, love and responsibilities for the people, life and society"

CORE VALUES

1. Integrity

Integrity, transparency and morals can be found in whatever we do.

2. Will

We dare to think, to do, to take responsibilities and to overcome challenges to realize the committed targets.

3. Creativity

We always highly appreciate the passion, unique discovery and innovative solutions.

4. Efficiency

We always focus on added-values in all our works, investments and business activities.

5. Respectability

Self-respecting, equality and dedication to the growth of the company are what we really appreciate at Vinamilk.

6. Harmony of interests

Interests of Vinamilk are also the interests of its employees, partners, government and society.

7. Openness

Constructive and straight communication is the base for our team to become more united and stronger.

MESSAGE FROM THE CHAIRWOMAN

I believe that Vinamilk has everything needed to bring its goals come true. For external factors, Vinamilk has a great potential market of nearly 90 million people, 36% of them are under-14-year old kids. The people's income keeps increasing and they now pay more attentions to healthy products. Consumers today have trends to use products of reliable branded and recognized names.

To: Honorable Shareholders

The year 2009 has ended with full of fluctuations in both the world economy and the Vietnamese market. Being originated in the end of 2008 and dragged to the year 2009, the global financial crisis has created influences on various respects of the economy. We have experienced the slump in securities market, the increasing unemployment, the collapses or merges of well-known businesses and the significant declines in gross domestic products (GDP) growth rates of many countries.

In Vietnam, our economy also has undergone severe challenges and difficulties. The recession of the influential economies in the world has narrowed the markets for export and capital source of Vietnam. The growth rate of GDP in the whole year 2009 only reached 5.32%, being lower than the rate of 6.18% in 2008. The export turnover in 2009 was estimated to reach USD 56.6 billion, decreasing by 9.7% as comparison with that of 2008 while the import turnover was about USD 68.8 billion, being lower than that of 2008 by 14.7%. The FDI commitment in 2009 fell to a record of USD 22 billion, reducing 70% in comparison with that of 2008. The disbursement of FDI in 2009 was estimated to be USD 10 billion, being lower than that of 2008 by 13% (source: General Department of Statistic).

In such a challenging context, Vinamilk has maintained its impressive growth rate and its leading position in the dairy market in Vietnam. Its total sales increased 29% as compared with those in the same period in the last year, exceeding 17% as compared with the plan assigned by the Shareholder's Meeting. The profit before tax increased nearly double as compared with that of 2008. Total assets at the end of 2009 reached VND 8,482 billion, increasing by an amount of VND 2,515 billion, equivalent to 42% increase, as compared with VND 5,967 billion at the beginning of the year. In which, the owner's equity was VND 6,638 billion, growing by an amount of VND 1,876 billion, equivalent to the increase of 39% in comparison with that at the beginning of the year.



MESSAGE FROM THE CHAIRWOMAN

2,731 billion VND
PROFIT BEFORE TAX

FINANCIAL PERFORMANCE

After the end of the year 2009, Vinamilk has achieved the following impressive consolidated results:

	Actual 2009	Plan 2009	Actual 2008	% beyond the plan	Y-O-Y Increase
(VND billion)					
Gross sales	10,820	9,220	8,381	17%	↑ 29%
Profit before tax	2,731	1,670	1,371	64%	↑ 99%
Profit after tax	2,376	1,303	1,250	82%	↑ 90%
Earning per share (EPS)	6,769		3,563		↑ 90%

(Note: regarding the consolidated figures, EPS is calculated, based on the adjusted number of shares after issuing bonus shares to shareholders at the rate of 1:1)

To prepare for its future operation, Vinamilk has continuously made investments in improvement and expansion of its factories. The total investment in its fixed assets during the year 2009 is as follows:

	Actual 2009	Plan 2009	Actual / Plan
Disbursement during the year (VND billion)	921	1,208	76%

DIVIDENDS AND BONUS SHARES

The Shareholder's Meeting approved the rate of dividend distribution in cash for the year 2009, which is 30% of charter capital. Basing on the business results of the year, the Board of Management has given the first interim dividend is 20% on charter capital of VND 1,756 billion (equivalent to VND 2,000/share) and for the second time with an amount of 10% on charter capital of VND 3,531 billion (equivalent to VND 1,000/share). In the year 2009, the company already issued bonus shares to its shareholders at the rate of 1: 1.

DEVELOPMENT STRATEGY FOR THE PERIOD FROM 2010 TO 2012

The period from 2010 to 2012 takes a significant role as a solid foundation for the growth of the company in the coming years. Our company is keeping with the strategy of investments in dairy products, with focus devoted to products that offer high added-values and growth rate. Vinamilk has set targets for itself that in the year 2010, its sales will be over VND 14,000 billion and in 2012, this number will reach VND 22,000 billion, equivalent to over USD 1 billion. Our desire is to be positioned in the list of 50 biggest dairy companies over the world.

2,376 billion VND
PROFIT AFTER TAX

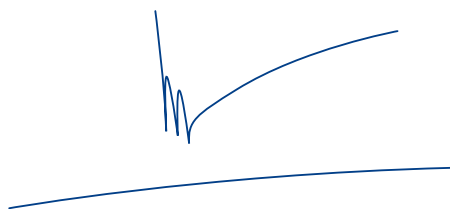
I believe that Vinamilk has everything needed to bring its goals come true. For external factors, Vinamilk has a great potential market of nearly 90 million people, 36% of them are under-14-year old children. The people's income keeps increasing and they now pay more attentions to healthy products. Consumers today have trends to use products of reliable branded and recognized names. For internal forces, the internal strengths of Vinamilk line in its realized brands, high-quality products and favorite from consumers, modern manufacturing facilities, expansive distribution network and a powerful financial position.

ACKNOWLEDGEMENT

On behalf of Vinamilk, I would like to express my sincere gratitude to our customers, our business partners for their ongoing trust and support to Vinamilk during the last time. I also would like to thanks all the Vinamilk employees for their enduring efforts and significant contribution to the successes of Vinamilk today. I am so grateful to honorable shareholders for their confidence and going with us on all the challenging ways.

The year 2010 properly witnesses more positive movements but possibly faces challenges and difficulties waiting ahead. These may be a sharp increase in prices of materials as compared with those in 2009 upon recovery of the economy, the increase in exchange rate of USD/VND while Vietnam has experienced a trade gap and the possible coming-back of inflation, etc. However, Vinamilk commits to do at its best to realize the expectations of the shareholders.

Ho Chi Minh City, 27 March 2010



MAI KIEU LIEN
Chairwoman

REPORT OF THE EXECUTIVE BOARD

- » Business review
- » Business strategy
- » Distribution network
- » Competitive advantages
- » Product portfolio



True **DESIRES**



TOTAL REVENUES OF

10,820

billion VND

the highest record of profit ever before



The sales of Vinamilk have seen a dramatic increase in the year 2009 with the growth rate of **29%** in comparison with the corresponding period last year, of which the local sales have increased by 35% while the export turnover has slightly decreased by 0.8% compared with that of the year 2008. From its equitization in November 2003 to now, the sales of Vinamilk have experienced an average growth rate of 21%/year. This is the first time total sales of Vinamilk have reached a record of over VND 10,000 billion and its profit also has got the highest amount ever before. This is also the first time when Vinamilk has contributed to the State's budget over VND 1,000 billion.

In the year 2009, Vinamilk continues to be a leader in the dairy market in Vietnam. Over time, products of Vinamilk have obtained growing trust and become a favorite brand of consumers. All the lines of products have experienced an exceptional and sustainable growth. Total sales reached an increase of 29.3%, of which local sales seen a growth of 34.6%. The distribution network has been strongly reinforced and developed. The company has reached targets of both sales volumes and profits set out by the Shareholder's Meeting at the beginning of the year. The broad range of Vinamilk's dairy products is divided into the 6 groups, in which, four first groups are the key products lines, contributing over 95% to the total sales of the Company.

- Group of powdered milk and infant cereals
- Group of condensed milk
- Group of liquid milk
- Group of yogurt, ice-cream and cheeses
- Group of fruit juice, soy-bean milk, purified water
- Group of Vinamilk coffee

Powdered milk and infant cereals

This group is consumed at both local market and for exports. These are the key products of Vinamilk for export to the Middle East. Sales from these products make a contribution of 20% to local sales of the Company and experienced a growth of 32.5% in comparison with those in 2008. This market segment of Vinamilk is under the severe competition with the imported products of international brands as well as from the other local competitors. The potential for growth of this product range is great and in the coming years, this will be the ongoing emphasis of Vinamilk's development strategy.

Condensed milk

Condensed milk is a traditional product of Vinamilk, which was firstly launched in 1976. In the year 2009, sales from condensed milk products have contributed 25% to the local sales of Vinamilk and increased 13.3% in

comparison with those in 2008 though its proportion in the Company's product structure has been gradually decreased upon the development strategy of Vinamilk. Majority of condensed milk products are consumed in Vietnam and a small part is exported to Cambodia and the Philippines.

Liquid milk

Liquid milk includes UHT fresh milk and drinking yogurt. This segment of products is the biggest sales contributor to the local sales of Vinamilk with the contribution of 34.6% and sales from these products also grew at the rate of 47.8% as compared with those in 2008. All the liquid milk products are consumed in Vietnam's market. The competition in the market segment of liquid milk is highly intensive since there are many other local involving players, not mention to some UHT milk product brands imported. In the coming years, liquid milk remains the focus in Vinamilk's strategy for development.

Yoghurt, ice-cream and cheeses

The key product of this group is spoon yogurt. The sales from this group account for 17.2% of Vinamilk's local product sales and have seen a growth of 51.7% as compared with those of the year 2008. Vinamilk has remained its dominant position in this market segment. It is our view that the perspective for the development of this product range in the future is still great.

Fruit juice, soy-bean milk, purified water

The sales of this group are mostly from fruit juice and soy-bean milk products. At the end of the year 2009, the company has launched successfully the line of non-gas beverage products, which are better for health, including marrow squash, orange smoothie, strawberry smoothie. Although this group of products makes a small portion in the company's total revenues but it offers a great and strong potential for the company's development in the coming time.

CONTRIBUTION TO THE STATE'S BUDGET

1,000

billion VND

the highest number ever before

FACTORS INFLUENCING THE COMPANY'S OPERATIONS

Fluctuation of the economy

In the year 2009, both the world and local economies have been suffered from a range of difficulties due to the influences of the global economic recession. However, the Government of Vietnam introduced and applied the effective policies to control the economic declines and gradually recover its economy. Consequently, GDP of Vietnam reached the growth rate of 5.2%, being one of 12 countries in the world that obtain an apposite GDP growth rate and being the country getting the highest GDP growth in the South East Asia. The inflation (i.e. annual average CPI) also was restricted at 6.88%.

For dairy industry, apart from general difficulties of the economy, scandal that melamine-infected milk was found in China and then in neighboring

countries and the news that some powdered milk products are found having protein proportion much lower than the portion disclosed on the packages in the year 2009 have pushed the consumers to move to the products of reliable branded names. However, under the view of Vinamilk, this creates a real challenge but it also offers an exceptional opportunity for Vinamilk to further develop and expand its business.

Demand for dairy products

Demands for dairy products in Vietnam have experienced a stable growth. Together with the economic development, consumers now pay more attentions to their health and consequently, use more dairy products. The average consumption level of Vietnamese people now is 14 liters/person/year, being lower than that of Thailand



(23 liters/person/year) and of China (25 liters/person/year). In addition to the above factors, the following favorable conditions are considered valuable opportunities and great potential for the sustainable development of dairy industry in Vietnam:

- Vietnam has a young population structure (children account for 36%) and the population growth rate of over 1%/year.
- Average income per capita increases over 6%/year.

Competition

The dairy market in Vietnam is highly competitive. Besides the local competitors, Vinamilk has to compete with the imported powdered milk products.

However, in August 2009, the Vietnam's Politburo launched the campaign of "Vietnamese people use Vietnamese goods". Under this campaign, the dairy products are the goods that receive the highest priority and this has contributed to reinforce the competitive capacity of the local dairy producers and Vinamilk is the one.

New products

Vinamilk has continuously introduced to the market its new products to meet the diversified demands of consumers, including Vinamilk Aloe Vera Yogurt Milk with rich source of vitamin A and E, Dielac Diecerna, Vinamilk Slimming Milk, orange smoothies, etc.

Taxation

Under the Vietnam's commitments to WTO, the rate of import tariff applied to powdered milk will be 25% by the year 2012. However, the current rate of import tariff is still lower than committed rate, giving opportunity for imported powdered milk to compete easier with the local products.

The rate of import tariff applicable to imported milk materials is temporarily lower than the rate committed to WTO. Now, nearly 75% of powdered milk materials of Vietnam are imported since the local supply is not enough for the production demand.

EARNINGS PER SHARE

6,769
VND



BUSINESS RESULTS

The sales of Vinamilk have seen a dramatic increase in the year 2009 with the growth rate of 29% in comparison with the corresponding period last year, in which the local sales have increased by 35% while the export turnover has slightly decreased by 0.8% compared with that of the year 2008. From its equitization in November 2003 to now, the sales of Vinamilk have experienced an average growth rate of 21%/year. This is the first time total sales of Vinamilk have reached a record of over VND 10,000 billion and its profit also has got the highest amount ever before. This is also the first time that Vinamilk has contributed to the State's budget for over VND 1,000 billion.

The growth of sales in the year 2009 is mainly thanks to the significant sales contribution from liquid milk and spoon yogurt. The sales from the condensed milk and powdered milk have experienced a growth of over 15%. Although beverage products (soy-bean milk and fruit juice) take a small portion in the company's sales, this group has seen the highest growth rate. This range of products is new but it offers a great potential for the company's development in the coming years.

One of the significant factors leading to these successes of Vinamilk is the extensive distribution network with 135,000 outlets nationwide. More investments are made to cold and cool stores and freeze vehicles to meet the growth of yogurt products.

The portions of product sales also have some changes. The product range of condensed milk, powdered milk - infant cereals has seen a decrease by 3% and by 4% respectively as compared with their portions of sales in 2008. Meanwhile, the sales portions of liquid milk and yogurt products have experienced an increase by 4% and by 2% in comparison with their sales portions in 2008.

Financial income

The financial income increases as compared with that in 2008 mainly thanks to the profit gained from capital transfer after liquidation of Sabmiller Beer Joint Venture and interests received from bank deposits.

The rates of Selling expenses/sales and General and administration expenses /sales

The rates of selling expenses/sales and general and administration expenses /sales in the year 2009 are 11.7% and 2.6% respectively, decreasing by 1.1% and 0.9% as compared with those in the year 2008. The decreases in these ratios are mostly due to the good growth of sales while the expenses on advertisement, sales promotion and supports to distributors are tightly and properly controlled.

Net profit from consolidated operating activities

The profit before tax in the year 2009 has reached VND 2,372 billion, increasing 99% in comparison with that of the year 2008. This is the highest record ever before.

The extraordinary growth in the Company's profit in 2009 is the result of the effective combination of the following factors:

- The sales volume increases 25%.
- The sales obtains a good growth, manufacturing costs are tightly controlled and priority is given to development of product groups offering high profit margin. The combination of these factors has resulted in an increase of 4.9% in gross profit.
- Selling expenses and administrative overheads are also managed effectively and tightly.
- More effective control on working capital has resulted in increasing gain from bank deposit interests.
- Gain from transferring capital in Sabmiller Beer Joint Venture

Taking up at least **35%** of powdered milk market segment **IN THE NEXT 2 YEARS**

The company's ultimate goal is to maximize the values to shareholders and to keep up with strategy for business development basing on following key factors:

- Reinforcing and developing a system of powerful brands to satisfy the demand and consumption trends of Vietnamese consumers.
- Developing Vinamilk to the most reliable and trusted brand on nutrition products and scientific credibility by application of scientific researches on specific demands of Vietnamese on nutrition in order to develop and launch the best products to Vietnamese consumers.
- Making more investment into expanding its business and market of healthy beverage products through the core brand of Vfresh to meet the increasing demands for healthy and natural beverages.
- Strengthening its distribution quality and network coverage to expand its market share in the market where Vinamilk's segment is not high, especially in rural area and small towns.
- Exploring the power and reliability of Vinamilk as "most reliable and trusted brand on nutrition products and scientific credibility to the Vietnamese" in order to take up at least 35% of powdered milk market segment in the next 2 years.
- Developing comprehensively the portfolio of dairy products, targeting the extensive quantity of various consumers and expanding value-added products with high selling prices in order to increase the company's profitability.
- Continuing improvement of the supply network management capacity.
- Keeping expansion and development of a stable, active and effective distribution network.
- Developing material sources to ensure a stable fresh milk supply with high and reliable quality and competitive prices.

Over **135,000** outlets
OVER THE COUNTRY

Local market :

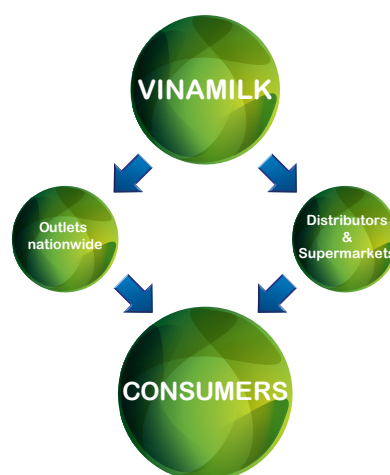
Local sales account for about 90% of the Company's total sales. The domestic market remains the Company's main market in its long-term development strategy. The Company's products are delivered to consumers through two distribution channels:

Traditional channel

Distributors → Outlets → Consumers

Modern trade

Supermarkets / Metro → Consumers

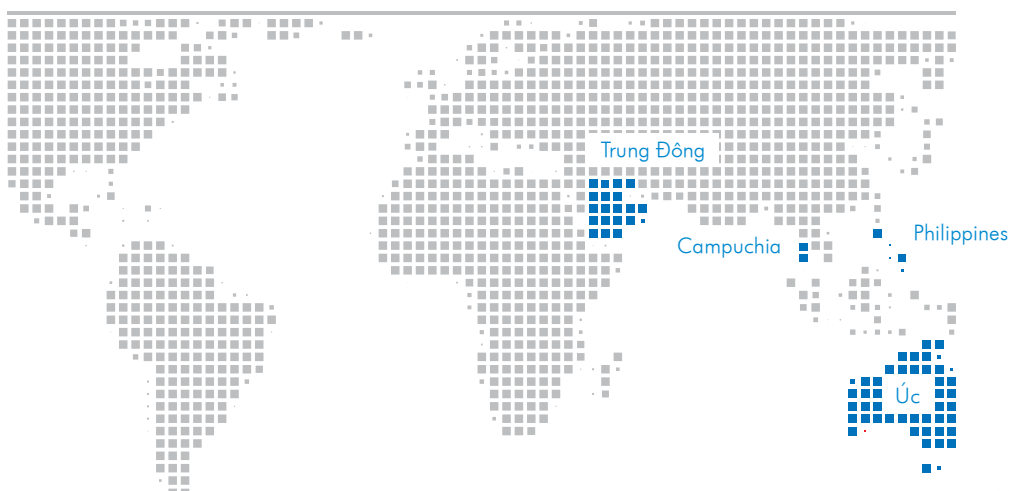


Export market:

The sales from exports in the year 2009 account for approximately 11% of the Company's total sales. Its main export markets are the Middle-east countries, Cambodia, the Philippines and Australia.

The Company is always looking for new export markets in the region and to other countries over the world in order to maintain and promote export sales.

The key export products are powdered milk and condensed milk.





holding up **55.4%**
OF LIQUID MILK MARKET SEGMENT

Source: Retail Audit in 36 cities – December 2009

COMPETITIVE ADVANTAGES

- Economies of scales when Vinamilk is well positioned as a leader in dairy market of Vietnam.
- Vinamilk is undoubtedly a familiar and trusted brand in the mind of Vietnamese consumers during the last 34 years.
- An extensive distribution network located nationwide and continued being expanded over time allows Vinamilk to bring its core products to consumers in a fast and effective way.
- Vinamilk's high-quality products are the favourite brand of consumers.
- A range of modern factories located along Vietnam that helps to reduce transportation expenses and a system of the state-of-the-art machinery and equipment, being improved and expanded every year, that helps to ensure the output products meeting the international standards.
- The loyal and cooperative relationships with both local and overseas suppliers allow the company to have a stable material source at the reasonable prices. At present, Vinamilk is the purchaser of about 60% of all cow milk produced in Vietnam.
- Vinamilk owns a management team deeply experienced in dairy business and production, a transparent internal management system and tight and detailed management procedures. A strong spirit of self-renovation for improvement of operation quality is absolutely penetrated from every managers to each employee.

Vfresh soy milk was certified to be **GOOD FOR HEART'S HEALTH**

Containing 6.4g of protein in each 200ml milk



Vfresh, nature goodness from mother Earth

www.vfresh.com.vn/soy

4 brands form A BUSINESS



A smart choice



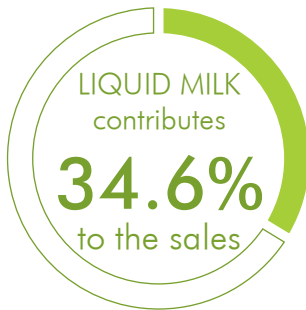


Vfresh, nature goodness
from mother Earth



Strong taste
as filtered coffee





The product portfolio of Vinamilk is so diversified and successfully satisfies the increasing various demands of consumers. The company owns 4 core brands, in which Vinamilk and Dielac are two key brands and Vfresh is a new one but it offers a great potential for development.

LIQUID MILK

1. For adults

100% fresh milk

Vinamilk 100% fresh milk is made from 100% pure milk, containing all essential nutrients from nature, giving you a sense of vitality to enjoy life to its entirety.

UHT Milk Flex

A high-calcium and low-fat milk, Flex is the ideal source of nutrients to help you keep in shape, healthy, active and energetic.

2. For kids

UHT Milk Kid

UHT Milk Kid is produced from fresh cow milk, rich in calcium and minerals, and treated by a modern UHT technology. i.e. fresh milk is treated in at high temperature in a very short time (3 seconds) to retain all essential vitamins and minerals (including calcium content in milk at an optimal proportion of D/Ca). The supplement of DHA is added to assist children's growth and development, keeping them healthy, agile and intelligent.





2. Spoon yoghurt

Being made from 100% fresh milk with various flavors such as aloe vera, strawberry, etc, yoghurt products are rich in proteins, vitamins, minerals and calcium which are essential for your body. Spoon yoghurt assists to improve the daily digestion, reinforce the body immune system, consolidate bone structure and helps to bring a fine and fresh complexion as well as a body in shape.



YOGHURT

1. Drinking yoghurt

There are two lines of drinking yoghurt products, including Vinamilk Drinking Yogurt and SUSU Drinking Yogurt Milk with various flavors. Yoghurt is beneficial for health of digestion system and brings you a healthy nutrition source.

3. Probi fermented yoghurt

Vinamilk Probi is the yoghurt product fermented from billions of Lactobacillus Casei, working well in digestive system that helps to reinforce the resistance of digestive system, purify toxin from food and surrounding environment and absorb nutrients at maximum capacity.

Consuming Vinamilk fermented yoghurt Probi every day keeps digestive system healthy from the inside naturally.





POWDERED MILK

1. Powdered milk for pregnant and breast feeding woman

Dielac Mama – suitable for mother and better for babies

Dielac Mama Milk Powder with vanilla flavor, produced following a specially developed formula, is to be consumed exclusively by pregnant and breast-feeding women, adding Calcium, Iron, Zinc, Iodine, Vitamin A, C, D3, E and Vitamin B compound sufficiently and in a balanced way. This not only helps to reinforce mothers' health but also improves babies' comprehensive development, prevents risks of dangerous diseases which are very difficult to recover when they grow up.



2. Powdered milk for kids

Dielac Alpha – A smart choice

With the exclusive formula of Alpha, supplemented with Colostrum, DHA, Choline, Omega 3, Omega 6, Vitamin and other essential nutrients to provide energy and strong resistance to babies.

Dielac Alpha Step 1:

For infant from 0 – 6 months

Dielac Alpha Step 2:

For infants from 6 – 12 months

Dielac Alpha 123:

For kids from 1 – 3 years old

Dielac Alpha 456:

For kids from 4 – 6 years old

3. Powdered milk for children with poor appetite and malnutrition

Dielac Pedia – For your children to catch up with normal growth

Dielac Pedia, with a combination of Bifidobacterium BB-12 and Fructo-Oligo-Sacharide (FOS), helps to improve resistance, restrain the growth of harmful bacterium, nurture and enrich advantageous bacterium, thus helps the digestion system to function better and increases children's utmost absorption capacity. Inositol helps better the transport of nutrients through cells so that children's capacity to absorb vital nutrients is improved to catch up with the normal growth.



4. Powdered milk for adults

Vinamilk Canxi - Low-fat and calcium-rich powdered milk that helps reinforce bone system

Powdered Milk Vinamilk Canxi is provided with high mixture of Calcium and Phosphorus, together with Vitamin D and FOS, that helps increase utmost calcium absorbability and consolidate bone-system. In addition, the addition of colaskin protein assists to nurture and reinforce articular bone and cartilage, and thus helps you stronger and more resistant.

Eliminating worries on bone and muscle with Powdered Milk Vinamilk Canxi, any over 30-year-old men and women can enjoy a happy and active life.

Dielac Sure – A special nutrition source to patients

Dielac Sure, a protein-rich, high-fat powdered milk, does not contain lactose sugar and cholesterol, is suitable for the elderly, persons being allergic to lactose sugar and patients who need to recover soon.

Dielac Diecerna – A perfect nutritious solution for diabetics

Dielac Diecerna's balancing formula provides all those vital nutrients with low Glycemic Index (GI), giving diabetics a strong and happy life.

Vinamilk slim milk – A safe and effective solution to lose weight. 3,9 kg loss only after 06 weeks.

Vinamilk slimming milk helps fat people and obese people to control their weights through diets, decrease the threshold of fill and totally maintain nutrition for daily activities.

Nutrition Dielac full cream milk powder - Energy source for life everyday

Dielac Nutrition full cream milk powder is suitable for people at any age, helps children to get height growth, patients to overcome the malnourishment and is a good energy supply for people who is hard working mentally and physically.

5. Ridielac Alpha – nutrient and delicious as soup cooked by mother

Baby food Ridielac Alpha helps babies familiarize with food taste. It is produced in accordance with the exclusive formula Alpha of Vinamilk, ensures children's comprehensive growth of body, brain, and movement.

Ridielac Alpha Milk –Cereal:

Infant Cereal for infant of 4 – 24 months.

Ridielac Alpha Pork – Vegetable:

Infant Cereal for infant of 6 – 24 months.

Ridielac Alpha Beef – Vegetable:

Infant Cereal for infant of 7 – 24 months.





CONDENSED MILK

1. Longevity

Longevity condensed milk offers a precious nutrition source for your family's health and is specially made to meet different needs. It can be a tasty soft drink when being mixed with boiled warm water and it is especially delicious when using with breads, making yogurt, white coffee and fruit juices.



2. Southern Star condensed milk

Southern Star with vegetative fat content and without cholesterol is good for peoples at any ages, especially for the dietary. Southern Star condensed milk is especially delicious when using to make flans, yogurt and or drinking with coffee.



ICE-CREAM

Vinamilk ice-cream is made with many natural fruits flavors, including strawberry, durian, coconut, taro, green-bean, etc. It is packaged in 1litre and 450ml available for immediate consumption.

Vinamilk ice-cream is also available in glass and ice lolly which are very suitable to kids.



CHEESE

Being produced from French production line, cheese has high calcium content and provides various nutrients.



Vfresh is a powerful brand of Vinamilk, specialized in products of fresh fruit juice, smoothies, soft drinks, and soy-bean milk. Vfresh is developed from Fresh brand, which was launched to the market and has been a favorite choice of consumers for over last 10 years.

With a line of high-quality and healthy products and a professional and effective marketing strategy, Vfresh has been recognized by TNS Market Research as top ten brands that developed fastest in Vietnam in the first half of the year 2009. In the year 2010, a modern beverage factory of Vinamilk with a capacity of 36 thousand bottles per hour will come into operation, creating a firm foundation for stronger growth of Vfresh branded products to become a leading name in the market of healthy beverages.

COFFEE

Vinamilk cofffee

Vinamilk coffee, being made from the essence of hardly selected coffee beans and application of the state-of-the-art technology, offers a strong taste of filtered coffee and supplies an immediate fresh energy source to work effectively, to think smartly, to make right decision and to non-stop enjoying life.



VFRESH

Vfresh Soy Milk

Vfresh Soy Milk contains 6.4g of protein in each 200ml milk and was certified by NIN (National Institute of Nutrition) to be GOOD FOR HEART'S HEALTH.

Non-cholesterol, non-preservative substance and a tasty flavor, Vfresh Soy Milk is a perfect and nutrient drink for you and your families everyday.



Vfresh 100% Juice

With 100% fresh fruit juice, non preservative-substance and a wonderful taste, Vfresh fruit juice is a fabulous drink, supplying vitamin and natural minerals for your healthy, youthful and dynamic body everyday.



Vfresh Winter Melon Tea

New Vfresh winter melon tea is an unique combination of natural winter melon extract and alga jelly for delicious refreshment beverage.



Vfresh smoothies

Vfresh Smoothies is a special mixture of fresh fruit juice and milk, bringing you a shake beverage which is not only delicious but also better for your health. With new Tetra Prisma package and convenient cap, you can enjoy Vfresh Smoothie wherever and at anytime.



Keep it real

Simply, it is a combination of real strawberry, real orange and real milk, absolutely new Vfresh Smoothie brings you a extremely real drink that makes you truly yourself.



Real fruit, real milk, real good

FINANCIAL HIGHLIGHTS

$$\begin{aligned}l &= \sqrt{a^2 + a^2} = \sqrt{2}a \\l &= \sqrt{a^2 + a^2 + a^2} = \sqrt{3}a \\h &= \frac{\sqrt{3}}{2}a. \quad S = \frac{\sqrt{3}}{4}a^2 \\h &= \sqrt{l^2 - r^2}. \quad S = \frac{1}{3}\pi r^2\end{aligned}$$

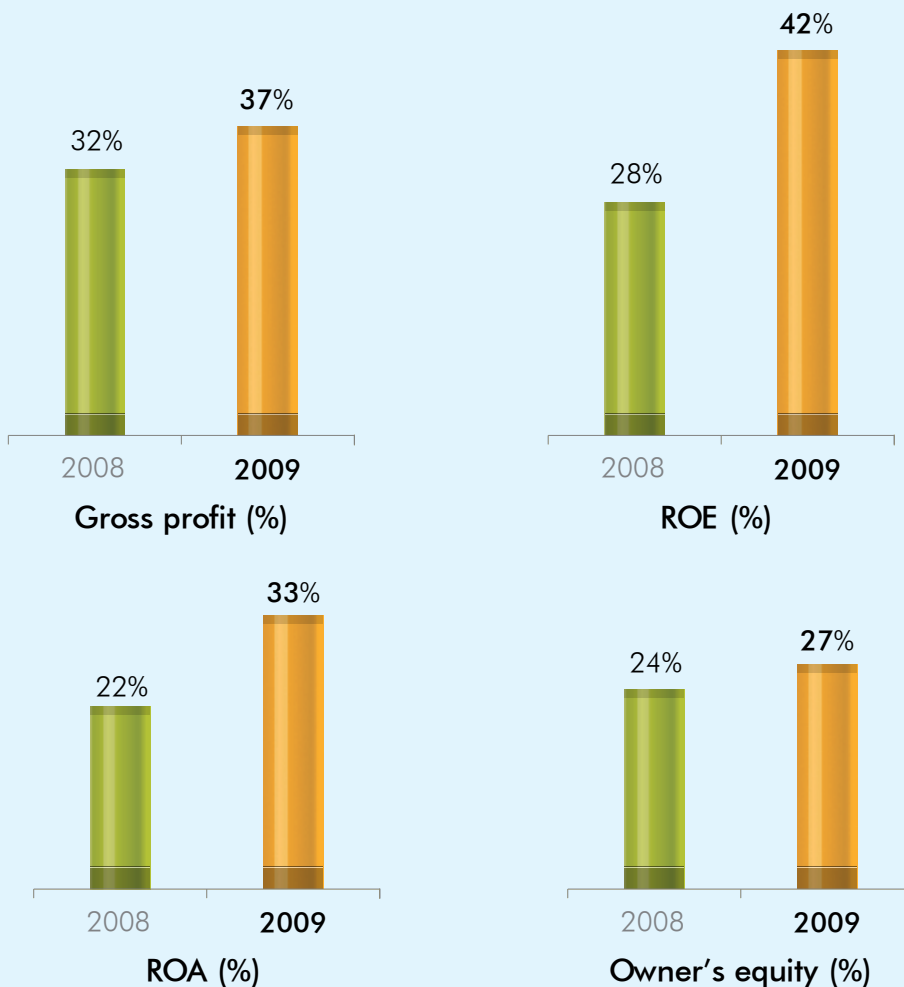
True **KNOWLEDGE**

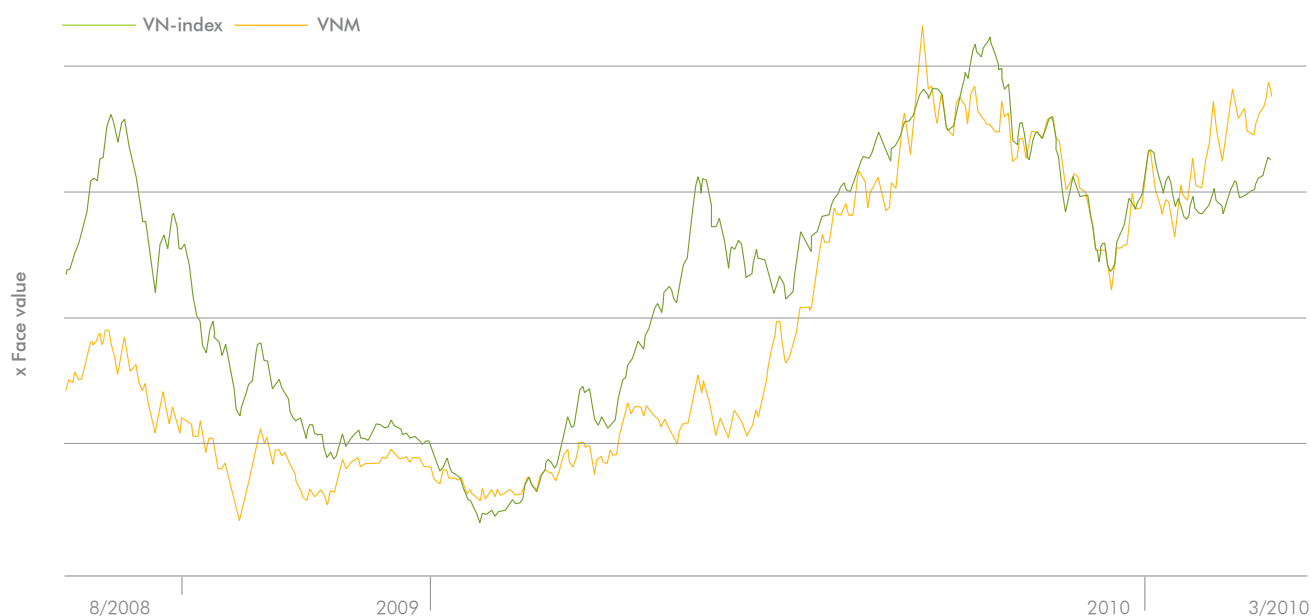


PROFIT AFTER TAX

2,376

billion VND





	2009	2008
BUSINESS RESULTS		
Net sales	10,613,771	8,208,982
Gross profit	3,878,709	2,598,013
Net profit	2,595,399	1,315,090
Profit after tax	2,376,067	1,248,698
EBITDA	2,972,091	1,576,714
BALANCE SHEET		
Total assets	8,482,036	5,966,959
Liabilities	1,808,931	1,154,432
Long-term liabilities	256,325	181,930
Net assets	6,633,864	4,761,659
FINANCIAL RATIOS (%)		
ROE	42%	28%
ROA	33%	22%
Liabilities / Owner's equity	27%	24%
VALUE PER SHARE (VND)		
Earning	6,769	3,563
Book value	18,903	13,570
Dividend	3,000	2,900

CORPORATE PROFILE

- » Company introduction
- » Corporate structure
- » Organization and management structure
- » Board of Management
- » Executive Board
- » Inspection Committee



True **FEELINGS**



COMPANY INTRODUCTION

SIGNIFICANT HISTORICAL EVENTS IN OUR BUSINESS ARE SET OUT BELOW:

1976

Our Company was founded under the name of Southern Coffee-Dairy Company, a subsidiary of the General Food Directorate and had six factories in operation, namely Thong Nhat Dairy Factory, Truong Tho Dairy Factory, Dielac Factory, Bien Hoa Coffee Factory, Bich Chi Powder Factory and Lubico..

1996

Binh Dinh Dairy Joint Venture Enterprise was founded as the result of our joint venture with Dong Lanh Quy Nhon Joint Stock Company. This joint venture enabled our Company to successfully gain access to the market in the central region of Vietnam.

1978

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.

2003

The company was formally transformed to a joint stock company in December 2003 and changed its name to Vietnam Dairy Products Joint Stock Co. to reflect its change in legal status.

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.

2004

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

2005

Bought out our joint venture partner's remaining shareholdings 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.

Entered into a joint venture agreement with SABMiller Asia B.V. to establish SABMiller Vietnam Joint Venture Company Ltd. in August 2005, our first joint venture's product, Zorok, was also launched to the market in the first half of 2007.

2006

Vinamilk was listed on the HOSE on 19 January 2006 with the SCIC holding approximately 50.01% of our Company's share capital.

Opened An Khang Clinic in Ho Chi Minh City in June 2006, this is the first clinic in Vietnam managed by a sophisticated electronic management system. The clinic offers a diverse range of services such as nutritional consulting, gynecology testing, pediatrics consulting and health screening.

Commenced our dairy cow farms program with the acquisition of Tuyen Quang dairy farm, a small scale farm with 1,400 heads of cows in November 2006. This dairy farm was in operation at the time of acquisition.

2007

In September 2007, the Company acquired 55% of share capital in Lam Son Milk Company Ltd., located in Le Mon Industrial Zone, Thanh Hoa province.

COMPANY INTRODUCTION

IMPORTANT EVENTS

- “Vinamilk- for young talent” fund: VND 3.4 billion
- Supporting victims of storms no. 9 and no. 11 in the Central region and Western Mountain by giving gifts and cash with the total value of over VND 2 billion.
- Supporting teachers in 10 poor provinces to have a good Tet.
- In co-operation with Fund for poor patients of Ho Chi Minh City, giving milk to rest-home and the elderly living alone; Continuing to support life-maintenance for Vietnamese Heroic Mothers in Ben Tre.
- Granting fellowships to children who are victims floods.

Awards received in 2009



1. For the company:

- The certificate of “High-quality Vietnamese Goods in 2009” granted by Saigon Marketing Magazines, voted by readers through the survey made by this magazine.
- “Gold medal for food safety and ensured hygiene in 2009” granted by Vietnam Food Administrator.
- The certificate and cup for “The most favorite brand in 2008-2009” granted by Saigon Giai Phong Newspaper
- Merit certificate and award of “Green Business” granted by the People’s Committee of Ho Chi Minh City to three entities of Vinamilk, i.e. Saigon Dairy Factory, Thong Nhat Dairy Factory and Truong Tho Dairy Factory in 2009.
- Golden cup of “Securities Prestige Brand” and award of “Vietnam Top Rank Corporation in Vietnam Stock Market in 2009” granted by Securities Business Association, Credit

Information Center, and Vietnam Securities Magazines.

- Award of “Top brands of Vietnam in 2009” granted by Vietnamese Associations of Science and Technology, Southern Institute of Science and Technology and Vietnamese brand magazines.

2. For individuals:

Mdm. Mai Kieu Lien has been granted the following awards:

- “Top Vietnam’s businesswoman – Yellow Rose Cup in 2008” granted by Association of Vietnamese businesswoman - VCCI.
- Campaign medal of “For the cause of labor, war invalids and social affairs” granted by the Chairman of National Fund for Vietnamese Children.





At present, Vinamilk has following subsidiaries and associates:

NO.	Company's names	Business functions	Charter capital	Ownership rate of Vinamilk
1	Vietnam Dairy Cow One-member Co., Ltd.	Breeding dairy cows	VND 220 billion	100%
2	International One-member Real Estate Investment Co., Ltd.	Not yet come into operation	VND 160 billion	100%
3	Victory Real Estate Joint Stock Company (*)	Not yet come into operation	VND 45 billion	100%
4	Lamson Milk Joint Stock Company	Producing and trading dairy products and beverages	VND 80 billion	55%
5	Asia-Saigon Food Materials Joint Stock Company	Producing cream powder used for foods	VND 45 billion	20%

(*): This company is 100% invested by International One-member Real Estate Investment Co., Ltd.

VIETNAM DAIRY COW ONE-MEMBER CO., LTD.

As to 31 December 2009, Vietnam Dairy Cow One-member Co., Ltd. (the “dairy cow company”) has been managing 3 dairy cow farms in Tuyen Quang, Binh Dinh and Nghe An. Total number of cows at these three farms are 2,153 heads. The total fresh milk output provided during the year has reached 5,200 tons. The Company has plan to expanding sizes of these farms from 2,000 to 3,000 cows per farm.

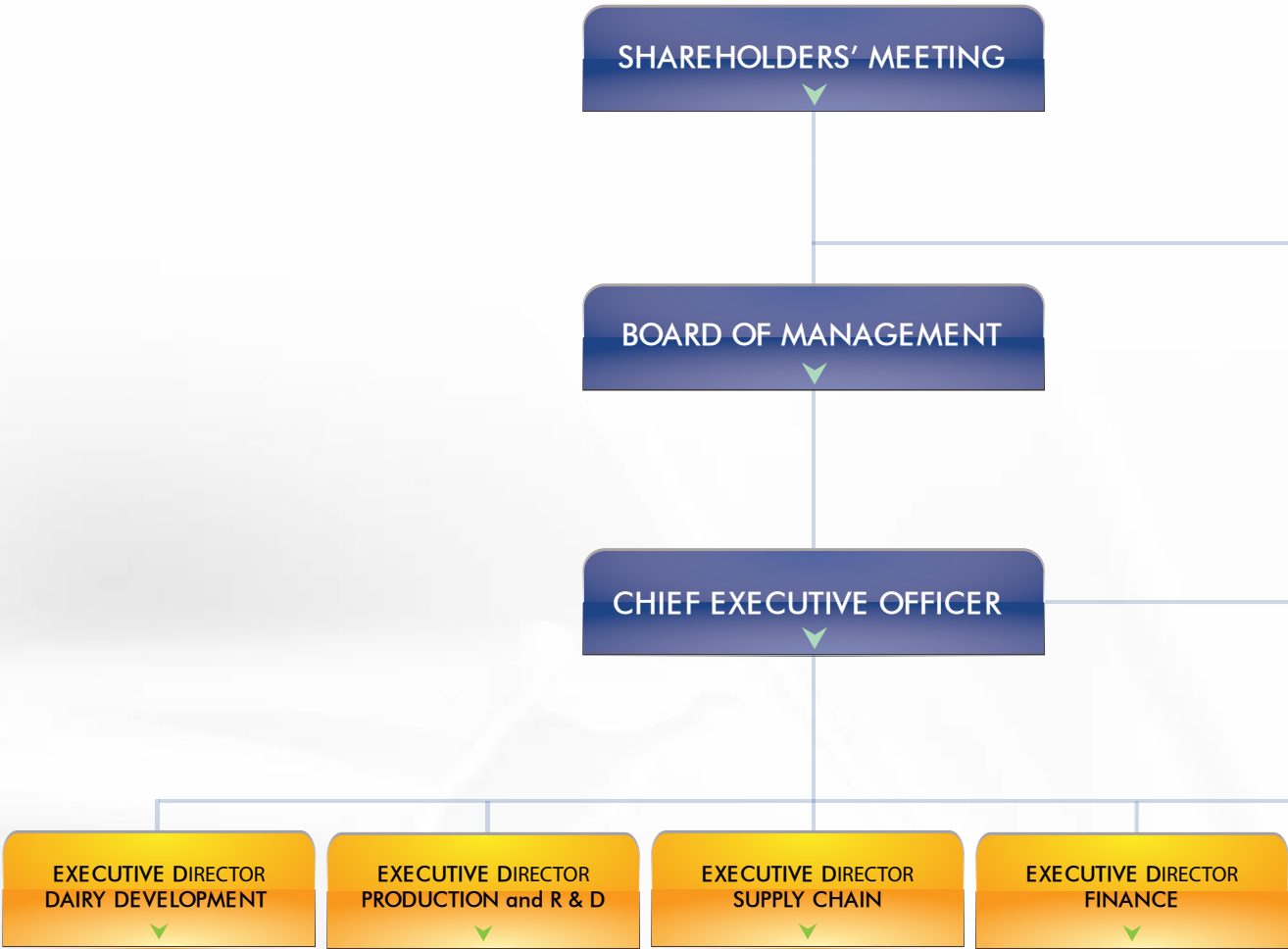
Total output of fresh milk from these farms is provided to the parent company as input materials.

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 product line of the parent Company's factories.

LAM SON MILK JOINT STOCK COMPANY

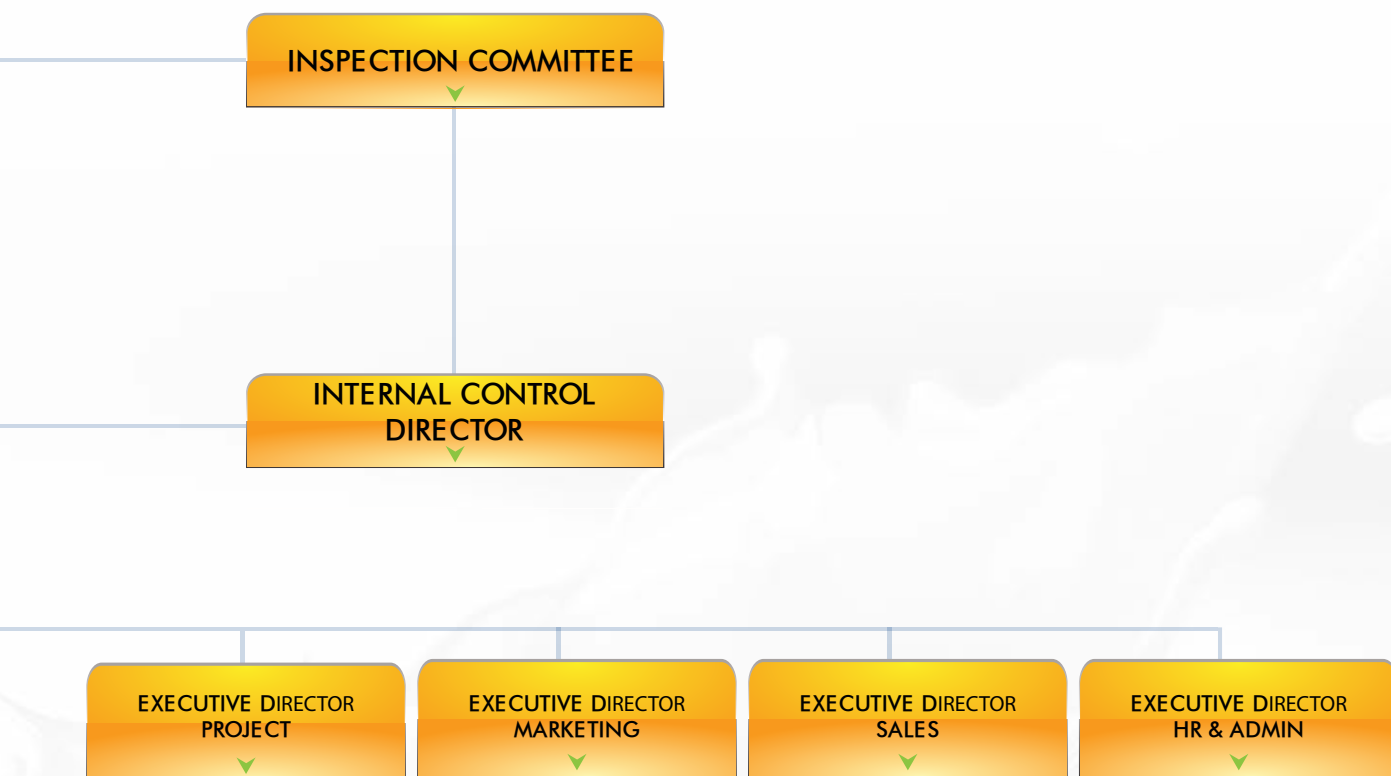
Lam Son Milk Joint Stock Company (“Lamson milk”) is a company that Vinamilk takes 55% of ownership. At present, Lamson milk has a cow farm with 820 heads of cows. Total fresh milk output provided from this farm during the year is 1,860 tons. Additionally, Lamson milk has a factory, specialized in producing dairy products, mainly to meet the orders from parent Company.

ORGANIZATION AND MANAGEMENT STRUCTURE





VINAMILK



BOARD OF MANAGEMENT



Mdm. Mai Kieu Lien



Mdm. Ngo Thi Thu Trang

Mdm. MAI KIEU LIEN

Chairwoman,
Chief Executive Officer

She has been the Chairwoman of Board of Management since 14 November 2003. 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. Mdm. 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.

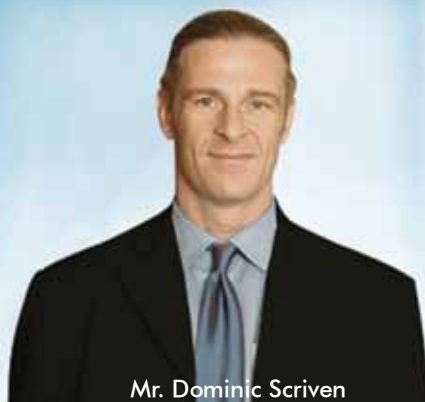
Mdm. NGO THI THU TRANG

Member
Executive Director

She has been a member of Board of Management since 14 November 2003, and Deputy General Director cum Financial Director of our Company since March 2005. Mdm. 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 Financial Director. From 20 August 2009, the title of Mdm. Trang has been changed to Executive Director in charge of Finance. Mdm. 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 from the Open University, Ho Chi Minh City.



Mr. Hoang Nguyen Hoc



Mr. Dominic Scriven



Mr. Wang Eng Chin

Mr. HOANG NGUYEN HOC

Member

He has been a member of Board of Management since 4 November 2006. 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. DOMINIC SCRIVEN

Member

Being a member of the Board of Management from 31 March 2005, Mr. Dominic Scriven, English nationality, graduated in 1985 with 2 bachelors majored in Law and Society from Exeter University. He has more than 20 years experience in the investment in Europe and Asia for many companies of England, United States and China. In 1992, he had learned Vietnamese at Hanoi University before becoming a co-founder and Director of Dragon Capital Group Ltd. in Vietnam. With 16 years living in Vietnam and being fluent in Vietnamese, Mr. Dominic Scriven is the representative for funds of Dragon Capital Group Ltd. and participates in 5 listed companies in Vietnam. He was granted the OBE medal by the British Queen for his contribution to the development of British financial aspect in Vietnam on the occasion of the new year 2006.

Mr. WANG ENG CHIN

Member

He has been a member of Board of Management since 31 March 2007. 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.

EXECUTIVE BOARD



Mdm. Mai Kieu Lien

Mdm. MAI KIEU LIEN
Chief Executive Officer

(Refer to “Board of Management”
for information about Mdm. Mai
Kieu Lien)



Mdm. Ngo Thi Thu Trang

Mdm. NGO THI THU TRANG
Executive Director

(Refer to “Board of Management”
for information about Mdm. Ngo
Thi Thu Trang)



Mdm. Nguyen Thi Thanh Hoa

Mdm. Nguyen Thi Nhu Hang

Mr. Tran Minh Van

Mdm. NGUYEN THI THANH HOA
Executive Director

She has been a Deputy General Director of our Company since 2000. Between September 1978 and June 1983, Mdm. 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. Mdm. Hoa held the positions of Deputy Director and then Director of Truong Tho Dairy Factory from July 1991 to 1999. In December 1999, Mdm. Hoa was appointed Deputy General Director of our Company. From 20 August 2009, her title has been changed to Executive Director in supply chain. She is currently in charge of planning, import - export, customer services departments and logistics enterprises of our Company. Mdm. Hoa graduated from Mosco 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.

Mdm. NGUYEN THI NHU HANG
Executive Director

She has been a Deputy General Director of our Company since January 2003. Mdm. 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 Mdm. Hang was promoted to Deputy General Director in January 2003, where she was in charge of the technical project department. From July 2006, Mdm. 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, Mdm. Hang was appointed Director of Vietnam Dairy Cow One-Member Limited Company, a subsidiary of our Company. From 20 August 2009, the position of Mdm. Hang has been changed to Executive Director in dairy development. Mdm. Hang graduated from the Ho Chi Minh City University of Economics in 1999 with a Bachelor degree in business administration.

Mr. TRAN MINH VAN
Executive Director

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.

EXECUTIVE BOARD



Mr. Pham Phu Tuan



Mr. Nguyen Quoc Khanh



Mdm. Nguyen Huu Ngoc Tran

Mr. PHAM PHU TUAN
Acting Executive Director

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 positions of managers 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 from Texas University, Dallas with a Master degree in Business Administration in 2007.

Mr. NGUYEN QUOC KHANH
Acting Executive Director

Has been holding the position of Acting Executive Director in charge of production and product development 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.

Mdm. NGUYEN HUU NGOC TRAN
Acting Executive Director

Mdm. 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, Mdm. 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, Mdm. Tran had a period working for Tan Hiep Phat Group at the position of Marketing Manager. Mdm. Tran graduated from Ho Chi Minh City University of Foreign Trade.

INSPECTION COMMITTEE



Mdm. Nguyen Thi Tuyet Mai



Mr. Nguyen Anh Tuan



Mr. Nguyen Trung Kien

Mdm. NGUYEN THI TUYET MAI
Head of Committee

Being member of Inspection Committee from March 2007, she became Head of Inspection Committee in March 2008. From 1993 to 1997, Mdm. 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 Openasia Consulting Vietnam Ltd. Mdm. 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
Member

Being a member of the Inspection Committee from March 2008, Mr. Tuan has been a founder, the Board's Chairman cum General Director of Goldengate Medical Equipment Joint Stock Company since 2004. Mr. Tuan is also a member of the Board of Management of Tam Duc Cardiovascular Hospital. 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
Member

Being a member of the Inspection Committee since March 2009, Mr. Kien has been a founder and Executive Director of TNK Capital in Vietnam since the beginning of the year 2008 to now. 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 got a Bachelor on Financial Application from Macquarie University, Australia and then got a Master on business management from Chicago University, America.

CORPORATE GOVERNANCE

- » Governance report
- » Risk management
- » Investor relation
- » Community activities





Living a **true life**

CONTRIBUTION TO THE STATE'S BUDGET

1,000

billion VND

the highest number ever before

A. MATTERS ON THE BOARD OF MANAGEMENT ('THE BOARD')

The Board's Conduct of Affairs

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 and other key executive officers and ensuring that a succession and development plan for all key positions is in place to prepare for contingencies, as well as to facilitate a smooth management transition.

The Board emphasizes seven core values: respectability, will, openness, integrity, harmony of benefits, efficiency and creativeness. 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.

According to judgment of Vinamilk, good corporate governance is the cornerstone of a well-managed organization. This report describes the Company's corporate governance framework and practices, which is guided by the Circular No. 12/2007/QD-BTC: "corporate governance applicable to the listed companies on Vietnam Stock Exchange", dated 13 March 2007, issued by Ministry of Finance of Vietnam and the Code of Corporate Governance 2005 of Singapore.

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 re-election 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, Mr. Hoang Nguyen Hoc and Mr. Dominic Scriven have been re-elected in the annual Shareholders' Meeting held in March 2009.

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:

- Nominating 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 authorization required for specified positions, including those that required the Board's approval.

Board's meetings and attendance to these meetings

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

A record of the Board member's attendances at the Board's meetings held at the fiscal year ended 31 December 2009 is set out in the table below:

No.	Full names	Number of meetings	Number of attendances
1	Mdm. Mai Kieu Lien	4	4/4
2	Mdm. Ngo Thi Thu Trang	4	4/4
3	Mr. Hoang Nguyen Hoc	4	3/4
4	Mr. Dominic Scriven	4	4/4
5	Mr. Wang Eng Chin	4	4/4

GOVERNANCE REPORT

Board Composition and Structure

The Board comprises three members who do not directly manage the company daily business. None of individuals or small group of individuals may have influential effects on the Board's decision making.

The Board includes the following members:

Mdm. Mai Kieu Lien : Chairwoman

Mdm. Ngo Thi Thu Trang : Member

Mr. Hoang Nguyen Hoc : Member

Mr. Dominic Scriven : Member

Mr. Wang Eng Chin : Member

The personal profiles of these members are presented on page 48 of this annual report.

Vinamilk has a good structure of members who have profound experiences and expertise in business, finance, accounting and business management. The objective judgment of the independent member of the Board on corporate affairs, experiences and contributions are invaluable to Vinamilk.

Chairwoman and CEO

The Company's Chairwoman concurrently holds the position of the Company's Chief Executive Officer. This appointment is approved by 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

The Company maintains a formal and transparent process for the appointment of new member to the Board. Any appointment of a new member must undergo a formal selection process as follows: the Board appoints the new members and submits the list of these new members to the Shareholders' Meeting for approval on these elections at the nearest Shareholders' Meeting.

Board Performance

The Company maintains a formal assessment on the performance efficiency of the Board in general and the contribution of each member in particular.

Operation of the Board's Committees

Besides regular works, including review on business results, approval on the plans for the next periods, setting out the Company's development strategy, in the year 2009, the Board's Committees has performed the following works:

- Building the policies on remuneration to the Board, Inspection Committee as well as on salaries and bonus to employees; Accordingly, the principle on bonus to employees is developed on the basis of comparison between growth rate of earnings per share (EPS) of the Company and growth rate of Gross Domestic Products (GDP), inflation rate, risk-free interest rate and risk of Vietnam's capital market assessed by the financial organizations.
- Developing program on employee's stocks based on the Company's business results; According to the Resolution of Shareholders' Meeting in 2006, stocks for employees are issued annually during the period from 2007 to 2011. However, Vinamilk has issued stocks under this program for the first time in the year 2009.



Access of Information

- Implementing project on Enterprise Risk Management-ERM with consultancy from Ernst & Young Vietnam Co., Ltd. The policies and procedures set out under ERM system will be officially applied at Vinamilk in 2010. The application of ERM, thus, helps Vinamilk better define, assess and treat risks arising from its business.
- Reviewing the development of salary structure in line with the Mercer system, performed by the Company in cooperation with TalentNet consultant. The setting up of salary structure includes job descriptions, performance assessment which is used to set out position class and applied to every position, development of a competitive salary levels in comparison with those of other companies operating in the industry of fast consumption in Vietnam.

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 the separated and independent access to Vinamilk's information from senior management and secretary if they have any queries on the operation of Vinamilk.

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

The Board's secretaries are:

- Mr. Nguyen Thanh Tu
Administration Director
- Mdm. Le Quang Thanh Truc
Financial Investment Manager

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 remunerations to each member of the Board of Management and the Directors. No members can make decision on their own remunerations.

The composition of the Remuneration Committee is as follows:

Mr. Hoang Nguyen Hoc	:	Chief of the Committee
Mr. Dominic Scriven	:	Member
Mr. Wang Eng Chin	:	Member

The Remuneration Committee recommends to the Board for endorsement of remuneration to 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 to the successes. A proportion of remuneration should be based on corporate and individual performance.

When proposing remuneration levels, the Remuneration Committee should take into their consideration the payment levels and the occupations 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. A program of annual performance rewards is also applied to all employees.

The remunerations to the Board of Management, the Inspection Committee for the fiscal year ended 31 December 2009 were approved by the Vinamilk's Shareholders' Meeting with an amount of VND 2.96 billion, equivalent to USD 160,000.



Disclosure of Remuneration

The remuneration of the Board's members, the Directors 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 %
Mdm. Mai Kieu Lien (***)	52	34	14	100
Mdm. Ngo Thi Thu Trang (*) (**)	48	31	21	100
Mr. Hoang Nguyen Hoc (**)	-	-	100	100
Mr. Dominic Scriven (**)	-	-	100	100
Mr. Wang Eng Chin (**)	-	-	100	100
Mr. Tran Minh Van (*)	61	39	-	100
Mdm. Nguyen Thi Thanh Hoa (*)	61	39	-	100
Mdm. Nguyen Thi Nhu Hang (*)	60	40	-	100
Mdm. Nguyen Huu Ngoc Tran (*)	82	18	-	100
Mr. Pham Phu Tuan (*)	83	17	-	100
Mr. Nguyen Quoc Khanh (*)	74	26	-	100

(*) : Executive Directors

(**) : Member of the Board of Management

(***) : Chairwoman cum Chief Executive Officer

C. ACCOUNTABILITY AND AUDIT

Accountability

The Board is accountable to the shareholders while the Executive Board are accountable to the Board. The Board should present a balanced and understandable 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 regulations.

The Board meeting is held on a quarterly basis to review Vinamilk's performance. The fully and brief financial statements of the Company is quarterly submitted to Ho Chi Minh City Stock Exchange ("HOSE"). Annual Shareholders' Meeting is held every year to obtain shareholders' approval on the Company's business goals.

Inspection Committee

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

Inspection Committee includes three members and is appointed by the Shareholders' Meeting for the term of five years. The current term is from 2007 to 2011. All the members of the Inspection Committee are not the employee of Vinamilk.

Mdm. Nguyen Thi Tuyet Mai	:	Head of the Committee
Mdm. Ngo Thanh Thao	:	Member (<i>resigned from 31 March 2009</i>)
Mr. Nguyen Trung Kien	:	Member (<i>from 31 March 2009</i>)
Mr. Nguyen Anh Tuan	:	Member

Members of the Inspection Committee should 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 with the Company's management as well as has full discretion to invite any Director or executive officers to attend its 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 Company's management.



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 affected.

Internal Control

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

The Board of Management and the Inspection Committee reviews the effectiveness of the key internal control instruments in order to ensure that the necessary corrective actions are taken timely. There are formal procedures in place for both internal and external auditors to report their independent conclusions and recommendations to the Company's management and Inspection Committee.

Investors relations

Vinamilk regularly communicates with its shareholders and commits for the timeliness and transparency in its disclosures to shareholders and the public. During the year, many meetings and dialogues with investors, analysts, investment funds, and presses are held. When material information is disseminated to HOSE, such information is simultaneously posted on the Company's website at: www.vinamilk.com.vn

Vinamilk encourages all of its shareholder's participation at its annual Shareholders' Meeting and gives shareholders the opportunity to communicate their views on the issues effecting Vinamilk.

CHARTER CAPITAL

3,512

billion VND

the highest amount ever before

D. INFORMATION ON SHARES AND SHAREHOLDERS

Charter capital of the company	:	VND 3,512,653,000,00
Number of listed shares	:	351,265,300 shares
Number of outstanding shares	:	351,249,980 shares
Treasury stocks	:	15,320 shares
Face value per share	:	VND 10,000

Shareholder structure

	2009	2008
SCIC	47.54%	47.64%
Foreign shareholders	44.11%	44.58%
Local shareholders(excluding SCIC)	8.25%	7.88%
	100.00%	100.00%

During the year 2009, Vinamilk has distributed bonus shares to its current shareholders at the rate of 1:1 in order to increase its charter capital to double. These bonus shares are issued from the sources of share premiums and retained earnings of the Company. Its bonus shares were listed on HOSE on 15 October 2009.

Changes in ownership rate of internal shareholders

		01 January 2009	Changes	31 December 2009
BOARD OF MANAGEMENT				
1	Mai Kieu Lien			
	- Represented to SCIC	23.8299%	-0.0598%	23.7701%
	- Individual	0.0972%	0.0273%	0.1245%
2	Ngo Thi Thu Trang	0.0446%	0.0072%	0.0519%
3	Hoang Nguyen Hoc (Represented to SCIC)	23.8299%	-0.0598%	23.7701%
4	Dominic Scriven (Represented to funds of Dragon Capital)	8.8997%	-0.2083%	8.6915%
5	Wang Eng Chin (Represented to F&N Dairy Investment)	10.0803%	-0.0205%	10.0598%
INSPECTION COMMITTEE				
1	Nguyen Anh Tuan	0.0000%	0.0000%	0.0000%
2	Nguyen Trung Kien	0.0029%	0.0000%	0.0028%
3	Nguyen Thi Tuyet Mai	0.0030%	0.0000%	0.0030%
THE BOARD OF DIRECTORS				
1	Mai Kieu Lien (as above)			
2	Ngo Thi Thu Trang (as above)			
3	Nguyen Thi Nhu Hang	0.0379%	-0.0112%	0.0266%
4	Nguyen Thi Thanh Hoa	0.0479%	-0.0155%	0.0325%
5	Tran Minh Van	0.0297%	-0.0135%	0.0162%
6	Nguyen Huu Ngoc Tran	0.0002%	0.0000%	0.0002%
7	Pham Phu Tuan	0.0001%	0.0005%	0.0006%
8	Nguyen Quoc Khanh	0.0015%	0.0017%	0.0032%

Changes in ownership rate of major shareholders

	Changes in ownership rate of major shareholders	2008	Changes	2009
1	SCIC	47.6598%	-0.1197%	47.5401%
2	F&N Dairy Investment	10.0803%	-0.0205%	10.0598%

RISK MANAGEMENT

When the operation scale and business scope of the Company keep increasing and expanding, Vinamilk knows that it should focus its attentions to corporate risk management. In the year 2009, Vinamilk, with the consultancy from Ernst & Young Vietnam Co., Ltd., has been developing and completing Enterprise Risk Management system (ERM) and under the Company's plan, this system will be completed in 2010.

Foreign Currency Risk

Foreign currency risk arises when there is a significant difference between accounts receivable and accounts payable in the same currency. These foreign currency risks may not cause material effects on the business results of the year 2009, but may have a significant impact on Vinamilk's performance in the coming years. Vinamilk always considers the usages of the appropriate financial instruments, as and when necessary, to mitigate this risk.

Liquidity Risk

Vinamilk's exposure to liquidity risk arises in Vinamilk's general business activities. It includes the risks of being able to fund the Company's business activities in a timely manner at the Company's request. Vinamilk adopts a prudent approach to manage is liquidity risk by maintaining sufficient cash and marketable securities, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks.

Credit Risk

Vinamilk's maximum exposure to credit risk in the event that all the customers fail to perform their obligations as at 31 December 2009 in relation to accounts receivable is its carrying amount as indicated in the balance sheet. Vinamilk has policies on efficient management on accounts receivable to ensure that sales of products are made to customers with an appropriate credit history.

	2009	2008
Cash and cash equivalents	426	339
Loans	26	211
Net loans	-	-



Reliance on Key Management Personnel

Although the Company is not dependent on any person in the Board of Management or the Executive Board, the successes of the Company depends significantly on the skills, capabilities and efforts of the Board of Management and Executive Board, as well as its ability to recruit and retain talents to take up positions on these Boards. The ability to continue attracting, retaining and motivating the key personnel and senior members of the Board of Management and Executive Board will have a considerable impact on the Company's operations. The competition for skilled and highly-capable personnel is intense, and the loss of the services of one or more of these individuals, without adequate replacements or the inability to attract new qualified personnel at a reasonable cost would have a material adverse effect on the financial performance and operations of the Company. To mitigate this risk, Vinamilk has been employing a good remuneration policy to maintain and attract the talents.

Risk of Export Market

The company is currently exporting its products to Iraq, Cambodia and some other countries in Asia and Europe. Demands for the company's products depend on the political and economic stability of these countries. Since Iraq is one of the company's major export countries, any social, political or economic upheaval in this country may lead to negative effect on the company's business results. Vinamilk has been focusing on its local market which is considered as its main market. Simultaneously, Vinamilk is also looking for other potential export markets to mitigate the risk.

VINAMILK MAINTAINS AN EFFECTIVE COMMUNICATION CHANNEL WITH INVESTORS THROUGH ITS ANNUAL SHAREHOLDERS' MEETING HELD ON A YEARLY BASIS AND THROUGH VINAMILK'S INVESTOR RELATIONS FUNCTION.



The business results and other important information relating to Vinamilk's operations are adequately disclosed on its website at: www.vinamilk.com.vn and other means of public communications such as HOSE's website, newspapers and securities news.

During the year, Vinamilk has welcomed more than 50 investors, including securities companies, investment banks, investment funds to visit and work with us.

Some of them are:

- **Soros Fund Management**
- **BNP Paribas**
- **Bank of Tokyo (Mitsubishi UFJ)**
- **Sumitomo Mitsui Asset Management Co., Ltd**
- **FMG Global**
- **PXP Vietnam Asset Management**
- **Duxton Asset Management**
- **Nevsky Capital**
- **Valiant Capital Partners**
- **Spinnaker Capital**
- **Saigon Securities Co., Ltd**
- **Mirae Asset**
- **Matthews International Capital Management**
- **CIM Investment Management**

Besides, Vinamilk maintains another effective communication channel with the investors through email, telephone, and Q&A on its website.



VINAMILK SCHOLARSHIP FUND - FOR VIETNAMESE YOUNG TALENTS

This is an annual program performed by the cooperation of Vietnam Dairy Products Joint Stock Company – Vinamilk and the Ministry of Education and Training. This fund has brought 6,300 scholarships (equivalent to VND 3.15 billion) to primary school students with excellent study results; to students win high awards in contests of culture, arts and sports and to disability students, or poor students or those undergone special difficulties but having great efforts and will to get good study results; students with special achievements and to be an example for others to follows; as well as others having excellent performances and deserve to receive scholarships as required by the standards of Ministry of Education and Training. This is one of the programs that Vinamilk devotes its great dedications. During 6 consecutive years, Vinamilk has funded over VND 12.45 billion with total of 25,040 scholarships nationwide. The beneficiaries are good students with good performances.



DOREMI PROGRAM

- Starting from 2007, Doremi program sponsored by Vinamilk is broadcasted on VTV3 channel – Vietnam TV Station. This is not only an exciting and useful playground for kids but it also offers great opportunities for them to expose their abilities and talent. Moreover, children will be trained on basic music skills and performance on stages while still able to reveal their spontaneity and innocent during the show.
- Doremi program in 2009 was launched from March to December, included Doremi contest on telephones and Doremi final contest broadcasted on VTV3.

ARSENAL- VINAMILK SOCCER SCHOOL

Vinamilk – Arsenal Soccer School offers different classes for students from 5 ages to 18 ages (U5 - U18) on Saturday and Sunday. Students are trained by well-known coaches who are instructed by Arsenal's professions in UK. This soccer center is receiving more attentions and supports from students' parents. The number of students keeps increasing over terms and currently reaches over 2,000 trainees.

Weekly, Vinamilk also provides free milk as gifts to trainees after each training hour which conveys Vinamilk's hope that "Proper exercising in combination with sufficient nutrition will bring kids a comprehensive growth".



1 → 3 million glasses of milk → 6 million glasses of milk
to children of Vietnam in 2008 to children of Vietnam in 2009

MILK FUND TO POOR CHILDREN IN VIETNAM

With the purposes of caring and making contribution to improvement of physical growth of Vietnamese, Vinamilk has made enduring efforts to realize its mission of providing milk and high quality dairy products in order to maximize the comprehensive growth physical and intellectually of Vietnamese future generations. Vinamilk also pays high attention to other activities which have great significance on community and society. In the year 2009, the fund of “Six Million Glasses of Milk for Children in Vietnam” with the cooperation

between Vinamilk and the Ministry of Labor, War Invalids and Social Affairs, National Fund for Vietnamese Children, National Institute of Nutrition and Ministry of Education and Training, is the on-going of the program “1 million glasses of milk” and “3 million glasses of milk for Vietnamese children” which was successfully implemented in 2008. Through this program, there were over 6 million glasses of milk, equivalent to VND 25 billions brought to nearly 50,000 children in 62 provinces across the country.



OTHER ACTIVITIES:

With the spirit of mutual supports, all the employees of our Company has contributed one-day salary per head, equivalent to over VND 2 billion to support victims of storms and floods No. 9 and No. 11 in the year 2009. Additionally, Vinamilk has supported file-maintenance to for Vietnamese Heroic Mothers in Ben Tre and Quang Nam, Da Nang, etc.

FINANCIAL STATEMENTS

- » Corporate information
- » Statements by Board of Directors
- » Independent auditor's report
- » Consolidated balance sheet
- » Consolidated statement of income
- » Consolidated statement of changes in equity
- » Consolidated statement of cash flows
- » Notes to the consolidated financial statements



a true **VALUE**





VINAMILK

SỮA CHUA
CÓ ĐƯỜNG



Vinamilk yoghurt is so tasty!

In our opinion, the consolidated financial statements give a true and fair value of the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

(Audit opinion)

AUDITORS: **KMPG Limited**

Address: 10 floor ,Sun Wah Tower
115 Nguyen Hue Street, District 1, Ho Chi Minh city

Tel: (84.8) 38 219 266
Fax: (84.8) 38 219 267
Website: www.kpmg.com.vn

Investment Certificate No: 011043000345

VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY (VINAMILK)

English's name: VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY
Abbreviation name: VINAMILK
Stock code (HoSE): VNM
Head office: 184 - 186 - 188 Nguyen Dinh Chieu Street,
Ward 06, District 3, Ho Chi Minh City
Telephone: (84.8) 39 300 358
Fax: (84.8) 39 305 206
Website: www.vinamilk.com.vn

Registration certificate: The first certificate No. 4103001932 dated 20 November 2003
granted by the Service of Planning and Department of Ho Chi Minh City.
The 8th amended certificate No. 0300588569 dated 12 October 2009

STATEMENT OF MANAGEMENT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of the Group as of and for the year ended 31 December 2009 which give a true and fair view of the state of affairs of the Group and of its results and cash flows for the year. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Management confirmed that the Group has complied with the above requirements in preparing the consolidated financial statements.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the accounting records comply with the registered accounting system. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements which give a true and fair view of the financial position of the Group as at 31 December 2009, and the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

On behalf of the Management



Mai Kieu Lien
Chief Executive Officer

Ho Chi Minh City, 01 March 2010

INDEPENDENT AUDITOR'S REPORT

To the shareholders

Vietnam Dairy Products Joint Stock Company

SCOPE

We have audited at the accompanying consolidated balance sheet of Vietnam Dairy Products Joint Stock Company and its subsidiaries (together refer to as "the Group") as of 31 December 2009 and the related consolidated statements of income, changes in equity and cash flows for the year then ended the explanatory notes thereto. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of the Group for the year ended 31 December 2008 were audited by another firm of auditors whose report dated 23 March 2009 expressed an unqualified opinion on the consolidated financial statements.

We conducted our audit in accordance with the Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the consolidated financial statements give a true and fair value of the financial position of the Group as of 31 December 2009, and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

KMPG Limited

Vietnam

Investment Certificate No: 011043000345

Audit Report No: 09-01-130



Chong Kwang Puay
CPA No. N0864/KTV
Deputy General Director

Nguyen Thanh Nghi
CPA No. 0304/KTV

Ho Chi Minh City, 01 March 2010

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

Code	ASSETS	Note	2009 VND million	2008 VND million
100	Current assets		5,069,157	3,187,605
110	Cash and cash equivalents	4	426,135	338,654
111	Cash		376,135	132,977
112	Cash equivalents		50,000	205,677
120	Short-term investments	11	2,314,253	374,002
121	Short-term investments		2,400,760	496,998
129	Allowance for diminution in the value of short-term investments		(86,507)	(122,996)
130	Accounts receivable - short-term	5	728,634	646,385
131	Accounts receivable – trade		513,346	530,149
132	Prepayments to suppliers		139,363	75,460
135	Other receivables		76,588	40,923
139	Allowance for doubtful debts		(663)	(147)
140	Inventories	6	1,311,765	1,775,342
141	Inventories		1,321,271	1,789,646
149	Allowance for inventories		(9,506)	(14,304)
150	Other current assets		288,370	53,222
151	Short-term prepayments		21,986	31,460
152	Deductible value added tax		37,399	19,196
154	Income tax prepaid to State Treasury		226,000	-
158	Other current assets		2,985	2,566

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

As at 31 December 2009 (continued)

Code	ASSETS	Note	2009 VND million	2008 VND million
200	Long-term assets		3,412,879	2,779,354
210	Accounts receivable – long-term		8,822	475
218	Other receivables		8,822	475
220	Fixed assets		2,524,964	1,936,923
221	Tangible fixed assets	7	1,835,583	1,529,187
222	Cost		3,135,507	2,618,638
223	Accumulated depreciation		(1,299,924)	(1,089,451)
227	Intangible fixed assets	8	39,241	50,868
228	Cost		82,339	79,416
229	Accumulated amortisation		(43,098)	(28,548)
230	Construction in progress	9	650,140	356,868
240	Investment property	10	27,489	27,489
241	Cost		27,489	27,489
250	Long-term investments	11	602,479	570,657
252	Investments in associates and joint ventures		26,152	23,702
258	Other long-term investments		672,732	546,955
259	Allowance for diminution in the value of long-term investments		(96,405)	-
260	Other long-term assets		249,125	243,810
261	Long-term prepayments	13	194,714	195,512
262	Deferred tax assets	14	53,521	47,276
268	Other long-term assets		890	1,022
270	TOTAL ASSETS		8,482,036	5,966,959

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

As at 31 December 2009 (continued)

Code	RESOURCES	Note	2009 VND million	2008 VND million
300	LIABILITIES		1,808,931	1,154,432
310	Current liabilities		1,552,606	972,502
311	Short-term borrowings	15	13,283	188,222
312	Accounts payable – trade		789,867	492,556
313	Advances from customers		28,827	5,917
314	Taxes payable to State Treasury	16	399,962	64,187
315	Payables to employees		28,688	3,104
316	Accrued expenses	17	208,131	144,052
319	Other payables	18	83,848	74,464
330	Long-term liabilities		256,325	181,930
331	Accounts payable – trade		116,940	93,612
333	Other long-term liabilities	19	92,000	30,000
334	Long-term borrowings	20	12,455	22,418
336	Provision for severance allowance and unemployment insurance	21	34,930	35,900

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

As at 31 December 2009 (continued)

Code	RESOURCES	Note	2009 VND million	2008 VND million
400	EQUITY		6,637,739	4,761,913
410	Equity		6,637,739	4,761,913
411	Share capital	22	3,512,653	1,752,757
412	Share premium		-	1,064,948
414	Treasury shares		(154)	-
417	Investment and development fund		1,756,283	869,697
418	Financial reserves		294,348	175,276
419	Bonus and welfare fund		182,265	96,198
420	Retained profits		892,344	803,037
439	MINORITY INTEREST	23	35,366	50,614
440	TOTAL RESOURCES		8,482,036	5,966,959

Prepared by



Le Thanh Liem
Chief Accountant

Approved by



Mai Kieu Lien
Chief Executive Officer

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2009

Code		Note	2009 VND million	2008 VND million
01	Total revenue	24	10,820,142	8,380,563
02	Less sales deductions	24	(206,371)	(171,581)
10	Net sales	24	10,613,771	8,208,982
11	Cost of sales	25	(6,735,062)	(5,610,969)
20	Gross profit		3,878,709	2,598,013
21	Financial income	26	439,936	264,810
22	Financial expenses	27	(184,828)	(197,621)
24	Selling expenses		(1,245,476)	(1,052,308)
25	General and administration expenses		(292,942)	(297,804)
30	Net operating profit		2,595,399	1,315,090
40	Results of other activities			
31	Other income	28	143,031	136,903
32	Other expense	29	(7,072)	(6,730)
40	Share of loss in equity accounted investees		-	(73,950)
50	Profit before tax		2,731,358	1,371,313
51	Income tax expense – current	30	(361,536)	(161,874)
52	Income tax benefit – deferred	30	6,245	39,259
60	Net profit		2,376,067	1,248,698
	Attributable to:			
61	Minority interest	23	375	(1,422)
62	Equity holders of the Company		2,375,692	1,250,120
	Earnings per share			
70	Basic earnings per share in VND	31	6,769	3,563

Prepared by

Approved by



Le Thanh Liem
Chief Accountant



Mai Kieu Lien
Chief Executive Officer

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2009

	Share capital VND million	Share premium VND million	Treasury shares VND million	Investment and development fund VND million	Financial reserves VND million	Bonus and welfare fund VND million	Retained profits VND million	Total equity VND million
Balance at 1 January 2008	1,752,757	1,064,948	-	744,540	136,313	91,622	525,757	4,315,937
Net profit for the year	-	-	-	-	-	-	1,250,120	1,250,120
Appropriation to equity funds	-	-	-	125,157	38,963	125,155	(289,275)	-
Dividends	-	-	-	-	-	2,842	(683,575)	(680,733)
Utilisation of funds	-	-	-	-	-	(123,421)	-	(123,421)
Others	-	-	-	-	-	-	10	10
Balance at 31 December 2008	1,752,757	1,064,948	-	869,697	175,276	96,198	803,037	4,761,913
Share capital issued	1,759,896	(1,064,948)	(154)	-	-	-	(691,302)	3,492
Net profit for the year	-	-	-	-	-	-	2,375,692	2,375,692
Appropriation to equity funds	-	-	-	886,586	119,072	238,144	(1,243,802)	-
Dividends (Note 32)	-	-	-	-	-	-	(351,281)	(351,281)
Utilisation of funds	-	-	-	-	-	(152,077)	-	(152,077)
Balance at 31 December 2009	3,512,653	-	(154)	1,756,283	294,348	182,265	892,344	6,637,739

Prepared by



Le Thanh Liem
Chief Accountant

Approved by



Mai Kieu Lien
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

Code		Note	2009 VND million	2008 VND million
CASH FLOWS FROM OPERATING ACTIVITIES				
01	Profit before tax		2,731,358	1,371,313
	Adjustments for			
02	Depreciation and amortisation		234,078	178,430
03	Allowances		62,020	124,892
04	Unrealised foreign exchange losses/(gains)		3,486	(5,704)
05	Gain from disposal of tangible fixed assets		(1,251)	-
06	Interest expense		6,655	26,971
07	Interest and dividend income		(134,747)	(93,622)
07	(Profits)/losses from other investing activities		(23,032)	61,178
07	Negative goodwill		(20)	-
07	Gain from disposal of investment in joint venture		(139,577)	-
08	Operating profit before changes in working capital		2,738,970	1,669,727
09	Change in receivables and other current assets		(68,042)	13,354
10	Change in inventories		453,953	(112,069)
11	Change in payables and other liabilities		392,537	(105,919)
12	Change in prepaid expenses		10,276	(17,077)
			3,527,694	1,448,016
13	Interest paid		(6,942)	(25,957)
14	Income tax paid		(293,332)	(101,861)
15	Other receipts from operating activities		16,032	53,507
16	Other payments for operating activities		(146,949)	(103,946)
20	Net cash generated from operating activities		3,096,503	1,269,759
CASH FLOWS FROM INVESTING ACTIVITIES				
21	Payments for additions to fixed assets		(654,817)	(445,062)
22	Proceeds from disposals of fixed assets		6,747	4,217
23	Purchases of equity securities and bonds		(200,000)	-
23	Proceeds from disposal of short term investment		91,913	3,010

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2009 (continued)

Code		Note	2009 VND million	2008 VND million
24	Proceeds from disposal of investment in joint venture		134,267	-
24	Proceeds from bonds matured		10,005	-
24	Loan collected from a joint venture		207,968	-
25	Payments for investments in other entities		(2,450)	(134,152)
25	Payments for acquisition of interests in a subsidiary from minority shareholders		(15,603)	-
27	Receipts of interests and dividends		69,083	90,373
28	Increase in deposits at banks		(2,123,387)	(50,191)
28	Capital contribution from minority shareholders of subsidiaries		-	20
30	Net cash used in investing activities		(2,476,274)	(531,785)
CASH FLOWS FROM FINANCING ACTIVITIES				
31	Capital contributions		3,646	-
32	Payments for share repurchases		(154)	-
33	Proceeds from short-term borrowings		3,320	173,547
34	Repayments of borrowings		(188,222)	(9,963)
36	Dividend paid		(351,281)	(680,733)
40	Net cash used in financing activities		(532,691)	(517,149)
50	Net cash flows during the year		87,538	220,825
60	Cash and cash equivalents at the beginning of the year		338,654	117,819
61	Effect of exchange rate fluctuations on cash and cash equivalents		(57)	10
70	Cash and cash equivalents at the end of the year	4	426,135	338,654
NON-CASH INVESTING AND FINANCING ACTIVITIES				
	Cost of fixed assets acquired by the Group not paid yet		167,623	36,245

Prepared by



Le Thanh Liem
Chief Accountant

Approved by



Mai Kieu Lien
Chief Executive Officer

The accompanying notes on page 12 to page 39 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

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

1. REPORTING ENTITY

Vietnam Dairy Products Joint Stock Company ("the Company" or "Vinamilk") is a joint stock company incorporated in Vietnam. The consolidated financial statements of the Group for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The principal activities of the Group are to produce and distribute condensed milk, powdered milk, fresh milk, biscuits, soya milk, yogurts, ice-cream, cheese, fruit juice and other products derived from milk.

As at 31 December 2009, the Company has 4 subsidiaries:

Subsidiaries	Principal activities	Ownership of charter capital by the Company
Vietnam Dairy Cow One Member Limited Company	Milk production	100%
Lamson Dairy Products Joint Stock Company	Milk production	55%
International Real Estate One Member Limited Company	Real estate trading	100%
Victory - Vietnam Property Joint Stock Company	Real estate trading	100%

Victory – Vietnam Property Joint Stock Company is a wholly owned subsidiary of International Real Estate One Member Limited Company, which is a wholly owned subsidiary of the Company.

As at 31 December 2009 the Group had 4,670 employees (31/12/2008: 4,532 employees)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of financial statement preparation

i. General basis of accounting

The consolidated financial statements, expressed in Vietnam Dong, rounded to the nearest million ("VND million"), have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and accounting principles generally accepted in Vietnam.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

ii. Basis of consolidation

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ASSOCIATES AND JOINTLY CONTROLLED ENTITIES (EQUITY ACCOUNTED INVESTEEES)

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

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

2.2 Foreign currency transactions

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

All foreign exchange differences are recorded in the statement of income in accordance with Vietnamese Accounting Standard No. 10 ("VAS 10") – The Effects of Changes in Foreign Exchange Rates.

2.3 Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments with an original maturity of not longer than three months that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2.4 Investments

Investments in term deposits and debt instruments; investments in equity instruments of entities over which the Group has no control or significant influence; and investments in subsidiaries and associates in the Company's separate financial statements are stated at cost. Allowance is made for reductions in investment values which in the opinion of the management are not temporary. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

2.5 Accounts receivable

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

2.6 Inventories

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

The Group applies the perpetual method of accounting for inventory.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

2.7 Tangible fixed assets

i. Cost

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

ii. Depreciation

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

• Buildings and structures	10 – 50 years
• Machinery and equipment	8 – 10 years
• Livestock	6 years
• Motor vehicles	10 years
• office equipment	3 – 5 years

2.8 Intangible fixed assets

i. Land use rights

Freehold land use rights are stated at cost and not amortised. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right.

ii. Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over 3 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

2.9 Investment property

i. Cost

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

ii. Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property. Investment properties being land use rights with indefinite term are carried at cost and not amortised.

2.10 Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the year of construction and installation.

2.11 Long-term prepayments

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the statement of income on a straightline basis over the term of the lease ranging from 12 to 48 years.

2.12 Trade and other payables

Trade and other payables are stated at their cost.

2.13 Provisions

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

2.14 Taxation

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

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

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

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

2.15 Revenue

i. Goods sold

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

ii. Services rendered

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

iii. Processing services

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

2.16 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

2.17 Operating lease payments

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

2.18 Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying tangible fixed assets, in which case the borrowing costs incurred during the year of construction are capitalised as part of the cost of the fixed assets concerned.

2.19 Earnings per share

The Group presents basic (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. In respect of bonus issue, ordinary shares are issued to existing shareholders for no additional consideration. Therefore, the number of ordinary shares outstanding is increased without an increase in resources. The number of ordinary shares outstanding before the event is adjusted for the proportionate change in the number of ordinary shares outstanding as if the event had occurred at the beginning of the earliest year presented.

2.20 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

2.21 Share based payments

Share based payments to employees for services rendered are treated as issuance of shares and do not affect income.

2.22 Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

3. SEGMENT REPORTING

Segment information is presented in respect of the Group's primary segment, which is the geographical segment.

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		Consolidated	
	2009 VND million	2008 VND million	2009 VND million	2008 VND million	2009 VND million	2008 VND million
Sales revenue	9,415,221	6,993,223	1,198,550	1,215,759	10,613,771	8,208,982
Cost of sales	(5,886,501)	(4,727,145)	(848,561)	(883,824)	(6,735,062)	(5,610,969)
Segment income	3,528,720	2,266,078	349,989	331,935	3,878,709	2,598,013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

4. CASH AND CASH EQUIVALENTS

	2009 VND million	2008 VND million
Cash on hand	636	648
Cash in banks	374,659	130,544
Cash in transit	840	1,785
Cash equivalents	50,000	205,677
	426,135	338,654

Cash and cash equivalents at 31 December 2009 included amounts denominated in currencies other than VND amounting to VND66,781 million (31 December 2008: VND137,553 million).

5. ACCOUNTS RECEIVABLE - SHORT-TERM

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

	2009 VND million	2008 VND million
Opening balance	147	751
Increase in allowance during the year	588	432
Utilised during the year	-	(967)
Written back during the year	(72)	(69)
Closing balance	663	147

Other short-term receivables comprised:

	2009 VND million	2008 VND million
Dividends receivable	831	-
Interest income	56,340	4,176
Bonds interest receivable and interest income on giving loan	426	6,227
Matured bonds receivable	-	10,000
Import tax refundable	8,236	11,905
Rebates receivable from suppliers	5,114	742
Others	5,641	7,873
	76,588	40,923

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

6. INVENTORIES

	2009 VND million	2008 VND million
Goods in transit	375,091	219,523
Raw materials	548,539	1,231,151
Tools and supplies	6,133	5,757
Work in progress	121,595	104,992
Finished goods	250,546	217,382
Merchandise inventories	11,410	10,710
Goods on consignment	7,957	131
	1,321,271	1,789,646
Allowance for inventories	(9,506)	(14,304)
	1,311,765	1,775,342

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

	2009 VND million	2008 VND million
Opening balance	14,304	11,629
Increase in allowance during the year	29,978	22,707
Allowance utilised during the year	(6,386)	-
Written back	(28,390)	(20,032)
Closing balance	9,506	14,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

7. TANGIBLE FIXED ASSETS

	Buildings and structures VND million	Machinery and equipment VND million	Livestock VND million	Motor vehicles VND million	Office equipment VND million	Total VND million
Cost						
Opening balance	505,157	1,747,393	21,446	255,103	89,539	2,618,638
Additions	2,615	25,138	12,535	33,791	18,185	92,264
Transfer from construction in progress	93,959	258,423	-	72,087	7,871	432,340
Transfer from inventory	-	-	6,816	-	-	6,816
Disposals	(137)	(1,290)	(3,309)	(8,944)	(871)	(14,551)
Reclassifications	1,678	(4,216)	-	2,556	(18)	-
Closing balance	603,272	2,025,448	37,488	354,593	114,706	3,135,507
Accumulated depreciation						
Opening balance	138,864	792,233	5,476	93,496	59,382	1,089,451
Charge for the year	25,671	145,392	3,948	26,815	17,702	219,528
Disposals	(53)	(3,775)	(1,274)	(3,083)	(870)	(9,055)
Reclassifications	98	(98)	-	-	-	-
Closing balance	164,580	933,752	8,150	117,228	76,214	1,299,924
Net book value						
Closing balance	438,692	1,091,696	29,338	237,365	38,492	1,835,583
Opening balance	366,293	955,160	15,970	161,607	30,157	1,529,187

At 31 December 2009 tangible fixed assets with a carrying value of VND98,839 million (31 December 2008: VND77,554 million) were pledged with banks as security for loans granted to the Group.

Included in the cost of tangible fixed assets were assets costing VND620,924 million which were fully depreciated as of 31 December 2009 (31 December 2008: VND592,834 million), but which are still in active use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

8. INTANGIBLE FIXED ASSETS

	Land use rights VND million	Software VND million	Total VND million
Cost			
Opening balance	35,751	43,665	79,416
Additions	-	2,923	2,923
Closing balance	35,751	46,588	82,339
Accumulated amortisation			
Opening balance	11,608	16,940	28,548
Charge for the year	-	14,550	14,550
Closing balance	11,608	31,490	43,098
Net book value			
Closing balance	24,143	15,098	39,241
Opening balance	24,143	26,725	50,868

Included in the cost of intangible fixed assets were assets costing VND26,136 million which were fully amortised as of 31 December 2009 (2008: VND1,103 million), but which are still in use.

The amortisation of land use rights ceased from 1 January 2004 following the Decision No. 206/2003/QĐ-BTC issued by the Ministry of Finance dated 12 December 2003 which regulated that freehold land use rights are carried at cost and not amortised.

9. CONSTRUCTION IN PROGRESS

	2009 VND million	2008 VND million
Opening balance	356,868	598,308
Additions during the year	727,248	364,411
Transfer to inventories	(1,636)	(15)
Transfer to tangible fixed assets	(432,340)	(589,341)
Transfer to intangible fixed assets	-	(16,441)
Disposals	-	(54)
Closing balance	650,140	356,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

10. INVESTMENT PROPERTY

Investment property represented freehold land use right in Hai Chau District, Da Nang City and was carried at cost and not amortised.

11. INVESTMENTS

	2009 VND million	2008 VND million
Long term investments		
Long-term equity investments in associates and joint venture:		
▪ Asia Saigon Food Ingredients Joint Stock Company	9,000	9,000
▪ Horizon Apartment – Business Cooperation Contract	9,943	7,493
▪ Dairy Cow Development Project	7,209	7,209
Long-term corporate bonds	200,000	3,200
Long-term treasury bonds	-	40
Other long-term investments:		
▪ Listed securities	223,520	277,933
▪ Unlisted securities	20,062	36,632
▪ Investment funds	106,350	106,350
▪ Others	122,800	122,800
	698,884	570,657
Allowance for diminution in value of long-term investments	(96,405)	-
	602,479	570,657
Short-term investments		
▪ Listed securities	87,537	33,071
▪ Unlisted securities	82,283	147,158
▪ Corporate bonds	3,200	2,400
▪ Term deposits	2,227,700	106,396
▪ Treasury bonds	40	5
▪ Loan to a joint venture	-	207,968
	2,400,760	496,998
Allowance for diminution in value of short-term investments	(86,507)	(122,996)
	2,314,253	374,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

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

	Short-term investments		Long-term investments	
	2009 VND million	2008 VND million	2009 VND million	2008 VND million
Opening balance	122,996	176	-	-
Increase in allowance during the year	-	122,820	96,405	48,630
Written back	(36,489)	-	-	(48,630)
Closing balance	86,507	122,996	96,405	-

12. GROUP ENTITIES

The following is a list of subsidiaries, associates and jointly control entities as at 31 December 2009:

Name	Address	2009		2008	
		% of ownership	% of voting right	% of ownership	% of voting right

SUBSIDIARIES

Vietnam Dairy Cow One Member Limited Company	184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Lamson Dairy Products Joint Stock Company	Le Mon Industry Zone, Thanh Hoa Province, Vietnam	55%	55%	55%	55%
International Real Estate One Member Limited Company	184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Victory – Vietnam Property Joint Stock Company	95 Le Loi, Hai Chau District, Da Nang City, Vietnam	100%	100%	64.25%	64.25%

JOINTLY CONTROLLED ENTITIES

SABMiller Vietnam Joint Venture Company	Lot A, My Phuoc 2 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	-	-	50%	50%
Dairy Cow Development Project	Tu Tra Ward, Don Duong District, Lam Dong Province, Vietnam	25%	25%	25%	25%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

ASSOCIATES					
Asia Saigon Food Ingredients Joint Stock Company	Lot C, 9E My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	20%	20%	20%	20%
Horizon Apartment – Business Cooperation Contract	214 Tran Quang Khai, District 1, Ho Chi Minh City, Vietnam	24.5%	24.5%	24.5%	24.5%

On 17 February 2009, the Group signed a Capital Assignment Agreement with SABMiller Asia BV to transfer its entire interest in SABMiller Vietnam Joint Venture Company at the price of USD8,250,000 to SABMiller Asia BV. Gain on disposal of this investment, being the proceeds received over its carrying amount of nil, was recognised in the statement of income for the year as financial income.

On 31 December 2009, International Real Estate One Member Limited Company – a wholly owned subsidiary of Vinamilk – acquired all remaining minority interest's share in Victory – Vietnam Property Joint Stock Company, resulting in the increase of the Group's shareholding from 64.25% to 100%, the details of the acquisition were as follows:

NET ASSETS OF THE SUBSIDIARY AT ACQUISITION DATE	VND million
ASSETS	
Cash and cash equivalents	230
Other current assets	211
Fixed assets	15,851
Investment property	27,489
LIABILITIES	
Accounts payable	(56)
Other current liabilities	(20)
NET ASSETS AT ACQUISITION DATE	43,705
Less:	
Group's existing shares of the subsidiary's net assets at acquisition date	(28,082)
Minority interests acquired through business combination	15,623

International Real Estate One Member Limited Company – a wholly owned subsidiary of Vinamilk – have decided to liquidate Victory – Vietnam Property Joint Stock Company and are in the process to obtain approval to permanently cease its operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

13. LONG-TERM PREPAYMENTS

	Total VND million
Opening balance	195,512
Additions	13,853
Amortisation for the year	(481)
Other reduction	(14,170)
Closing balance	194,714

14. DEFERRED TAX ASSETS

	2009 VND million	2008 VND million
Allowance for investments	-	29,782
Accruals and provisions	51,749	17,957
Unrealised profit	591	-
Unrealised foreign exchange differences	1,181	(463)
Net deferred tax assets	53,521	47,276

15. SHORT-TERM BORROWINGS

	2009 VND million	2008 VND million
Short-term borrowings	3,320	178,259
Current portion of long-term borrowings (Note 20)	9,963	9,963
	13,283	188,222

At 31 December 2009, short-term borrowings represented a short-term loan facility from Sacombank with maximum facility of VND 6,300 million. The VND facility was secured by tangible fixed assets with net book value at 31 December 2009 of VND30,454 million and bore interest from 10.5% to 12% per annum during the year (2008: 2.45% to 3.8% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

16. TAXES PAYABLE TO STATE TREASURY

	2009 VND million	2008 VND million
Value added tax	52,305	12,868
Import tax	11,474	2,341
Income tax ^(*)	330,271	35,527
Personal income tax	5,903	13,180
Other taxes	9	271
	399,962	64,187

(*) Income tax balance at 31 December 2009 was high as the Group was allowed to defer its income tax payment (nine months from the payment deadline as specified in Law on tax administration) pursuant to Circular No 03/2009/TT-BTC issued by Ministry of Finance on 13 January 2009 providing guidance to the implementation of Decree No 30/2008/NQ-CP issued by the Government on 11 December 2008 on income tax reduction and payment deferral.

17. ACCRUED EXPENSES

	2009 VND million	2008 VND million
Sale incentives for customers	143,692	106,701
Advertising expenses	38,201	21,471
Transportation expenses	13,592	5,139
Repair and maintenance expenses	2,736	1,531
Others	9,910	9,210
	208,131	144,052

18. OTHER PAYABLES

	2009 VND million	2008 VND million
Trade union fees	45	514
Social insurance	86	1
Deposits received from customers	48,131	6,247
Import duty payable	5,179	15,906
Dividends payable	500	8,220
Payables to minority shareholders of a subsidiary ^(*)	20,407	23,016
Others	9,500	20,560
	83,848	74,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

(*) The amount represented advances received from minority shareholders to purchase shares that the Group holds on behalf of the minority shareholders.

19. OTHER LONG-TERM LIABILITIES

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

20. LONG-TERM BORROWINGS

	2009 VND million	2008 VND million
Long-term borrowing	22,418	32,381
Repayable within twelve months	(9,963)	(9,963)
Repayable after twelve months	12,455	22,418

This long-term borrowings was 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 secured by tangible fixed assets with net book value at 31 December 2009 of VND68,385 million (31 December 2008: VND77,554 million) and bore interest at the average interest rate of 12 month time deposits plus 2.4% per annum during the year and the remaining balance at 31 December 2009 is repayable in 9 equal quarterly installments of VND2,490 million each.

21. PROVISION FOR SEVERANCE ALLOWANCE AND UNEMPLOYMENT INSURANCE

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

	VND million
Opening balance	35,900
Provision made during the year	4,543
Provision used during the year	(3,542)
Provision reversed during the year	(1,971)
Closing balance	34,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

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

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of this unemployment insurance scheme, the Group is no longer required to provide severance allowance for the service year after 1 January 2009. However, severance allowance to be paid to existing eligible employees as of 31 December 2008 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the year prior to the termination date.

For the year ended 31 December 2009, the Group contributed VND2,135 million (31/12/2008: Nil) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the consolidated statement of income.

22. SHARE CAPITAL

The Group's authorised and issued share capital are:

	2009		2008	
	Number of shares	VND million	Number of shares	VND million
Authorised share capital	351,265,300	3,512,653	175,275,670	1,752,757
Issued share capital				
Ordinary shares	351,265,300	3,512,653	175,275,670	1,752,757
Treasury shares				
Ordinary shares	(15,320)	(154)	-	-
Shares currently in circulation				
Ordinary shares	351,249,980	3,512,499	175,275,670	1,752,757

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Movements in share capital during the year was as follows:

	2009		2008	
	Number of shares	VND million	Number of shares	VND million
Balance at the beginning of the year	175,275,670	1,752,757	175,275,670	1,752,757
Shares issued during the year	364,640	3,646	-	-
Treasury shares purchased during the year	(15,320)	(154)	-	-
Bonus shares issued during the year	175,624,990	1,756,250	-	-
Balance at the end of the year	351,249,980	3,512,499	175,275,670	1,752,757

On 10 June 2009, the Group issued 364,640 shares at par to its employees for cash.

On 3 September 2009, the Group repurchased 15,320 shares from resigned employees.

On 9 September 2009, the Group declared 1:1 bonus share scheme to all existing shareholders, effective on 18 September 2009. Bonus shares were issued out of share premium and retained profits to all existing shareholders. These bonus shares were listed on Ho Chi Minh City Stock Exchange on 15 October 2009.

23. MINORITY INTEREST

	VND million
Balance at 1 January 2008	35,950
Capital contribution	16,086
Loss attributable to minority interest	(1,422)
Balance at 31 December 2008	50,614
Profit attributable to minority interest	375
Acquisition of a subsidiary from minority shareholders (Note 12)	(15,623)
Balance at 31 December 2009	35,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

24. TOTAL REVENUE

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

Net sales comprised:

	2009 VND million	2008 VND million
Total revenue		
▪ Sales of finished goods	10,730,665	8,292,713
▪ Sales of merchandise inventories and materials	69,238	76,760
▪ Services	20,239	11,090
Less sales deductions		
▪ Sales discounts	(196,965)	(141,199)
▪ Sales returns	(9,406)	(30,382)
Net sales	10,613,771	8,208,982

25. FINANCIAL INCOME

	2009 VND million	2008 VND million
Total cost of sales		
▪ Finished goods sold	6,637,850	5,532,689
▪ Merchandise inventories sold	50,001	60,770
▪ Services provided	3,850	1,445
▪ Inventories written off	910	605
▪ Under-capacity cost	40,863	15,050
▪ Allowance for inventories	1,588	410
	6,735,062	5,610,969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

26. FINANCIAL INCOME

	2009 VND million	2008 VND million
Interest income from deposits	106,573	60,109
Interest income from bonds	9,274	3,593
Proceeds from disposal of investment in joint venture	139,577	-
Gains from sales of equity securities	33,191	119,553
Dividend and bonus shares income	18,900	29,890
Foreign exchange gains	132,217	46,050
Others	204	5,615
	439,936	264,810

27. FINANCIAL EXPENSES

	2009 VND million	2008 VND million
Interest expense	6,655	26,971
Allowance for diminution in the value of investments	59,916	122,820
Foreign exchange losses	118,124	47,314
Others	133	516
	184,828	197,621

28. OTHER INCOME

	2009 VND million	2008 VND million
Compensation received from other parties	1,952	4,190
Proceeds from disposals of fixed assets	6,749	4,265
Proceeds from disposals of scraps, tools and supplies	38,634	50,097
Rebate income from suppliers	91,480	73,558
Others	4,216	4,793
	143,031	136,903

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2009

29. OTHER EXPENSES

	2009 VND million	2008 VND million
Net book value of fixed assets disposed	5,496	3,317
Sundry expenses	1,576	3,413
	7,072	6,730

30. INCOME TAX

30.1 Recognised in the statement of income

	2009 VND million	2008 VND million
Current tax expense		
Current year	410,309	161,874
Over provision in prior years	(48,773)	-
	361,536	161,874
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	11,386	(17,730)
Effect of change in tax rate	(17,631)	(12,910)
Deferred tax assets written off	-	(8,619)
	(6,245)	(39,259)
Income tax expense	355,291	122,615

30.2 Reconciliation of effective tax rate

	2009 VND million	2008 VND million
Profit before tax	2,731,358	1,371,313
Tax at the Group's tax rate	682,816	383,968
Effect of change in tax rate	(17,631)	(12,910)
Effect of unrealised loss eliminated for which deferred tax assets were not recognised	(125)	(1,074)
Effect of different tax rates in subsidiaries and Vinamilk's branches	(113,548)	(91,749)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Non-deductible expenses	3,131	5,988
Non-taxable income	(2,632)	(3,081)
Effect of tax incentives	(149,076)	(150,946)
Deferred tax assets not recognised	1,129	1,038
Deferred tax assets written off	-	(8,619)
Over provision in prior years	(48,773)	-
	355,291	122,615

30.3 Applicable tax rates

The Company and its subsidiaries have obligations to pay the Government income tax as follows:

Entity	Current tax rate	Tax incentives
VINAMILK		
The head office	25%	None
Saigon Coffee factory	25%	Exemption from 2009 to 2011 and 50% reduction from 2012 to 2016
Can Tho Dairy factory	15% until 2014 and 25% afterwards	Exemption from 2004 to 2008 and 50% reduction from 2009 to 2013
Dielac Dairy factory	15% until 2014 and 25% afterwards	Exemption from 2004 to 2008 and 50% reduction from 2009 to 2013
Saigon Dairy factory	15% until 2012 and 25% afterwards	Exemption from 2003 to 2005 and 50% reduction from 2006 to 2012
Nghe An Dairy factory	25%	None
Binh Dinh Dairy factory	25%	None
Ha Noi Dairy factory	25%	None
Thong Nhat Dairy factory	25%	None
Truong Tho Dairy factory	25%	None
Ha Noi branch	25%	None
Da Nang branch	25%	None
Can Tho branch	25%	None
HCMC Logistic and Warehouse Enterprise	25%	None
An Khang Clinic	25%	None
Tien Son Dairy factory	25%	Exemption from 2008 to 2010 and 50% reduction from 2011 to 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

Vietnam Dairy Cow One Member Limited Company		
Head office and Tuyen Quang branch	15% until 2018 and 25% afterwards	Exemption from 2009 to 2011 and 50% reduction from 2012 to 2018
Binh Dinh branch	25%	Exemption in 2009 and 50% reduction from 2010 to 2013
Nghe An branch	25%	None
Lamson Dairy Products Joint Stock Company	15% until 2018 and 25% afterwards	Exemption for 3 years starting from the first year of taxable profit and 50% reduction for 7 succeeding years
International Real Estate One Member Limited Company	25%	None
Victory – VN Property Joint Stock Company	25%	None

In the financial years ended 31 December 2006 and 2007, the Company declared that it was fully exempted from income tax ("CIT") on the basis that it combined the following two tax incentives: (1) a full exemption from CIT for the two years ended 31 December 2004 and 2005 and a 50% reduction of CIT for a period of three years thereafter ended 31 December 2006, 2007 and 2008 upon the Company's equitisation; and (2) a further 50% reduction in CIT for two years after its listing on the Ho Chi Minh City Stock Exchange ("HOSE") on 19 January 2006. The combination of these incentives was allowed by the General Department of Taxation pursuant to Letter No. 1591/TCT-CST dated 4 May 2006.

On 22 May 2008, the Company was informed by the Ho Chi Minh City Tax Department ("HCMC TD") that the Company was not entitled to combine the tax incentives as a result of the listing on the HOSE and the tax incentives as a result of equitisation for the years ended 31 December 2006 and 2007. The Company was therefore only entitled to 50% tax reduction instead of full exemption and HCM TD has issued a claim on unpaid taxes of VND225,803 million to the Company (VND76,637 million for 2006 and VND149,166 million for 2007).

On 25 July 2008, the Government's Inspectors, after performing their inspection at the Company, requested the Company to declare and pay CIT relating to 2006 and 2007 to the State budget.

On 13 November 2008, the Prime Minister's Office issued Letter No. 318/TB-VPCP in which it confirmed that companies listing their shares on the stock exchange during the period from 2004 to 2006 are entitled to a 50% reduction in CIT arising during the two years after their shares are listed. Official Letter No. 318/TB-VPCP was however silent as to whether the tax incentives under the two regimes could be combined.

On 20 March 2009, management received from the HCMC TD a copy of the Official Telegraph No 31/TCT-VP dated 16 March 2009 issued by the General Department of Taxation to HCMC TD to inform the HCMC TD that the Ministry of Finance had sent an official letter to the Prime

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Minister seeking for instructions to resolve the issue of CIT exemption and CIT reduction for companies which had their first listing. The General Department of Taxation requested HCMC TD not to assess or temporarily collect the CIT from listed companies pending the decision from the Prime Minister.

Subsequent to the balance sheet date, the combination of the tax incentives has been confirmed upon the interpretation of the Official Letter No. 148/TCT-PC issued by the General Department of Taxation to HCMC TD and the Company on 14 January 2010.

31. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders for the year ended 31 December 2009 of VND2,375,990 million (31 December 2008: VND1,250,120 million) and a weighted average number of ordinary shares outstanding of 350,950,861 (31 December 2008: 350,900,660).

Weighted average number of ordinary shares

	2009 Number of shares	2008 Number of shares
Issued ordinary shares at the beginning of the year	175,275,670	175,275,670
Effect of shares issued in 10 June 2009	204,798	-
Effect of share reduction in 3 September 2009	(5,037)	-
Effect of bonus share issued in 18 September 2009	175,475,430	175,624,990
Weighted average number of ordinary shares	350,950,861	350,900,660

As at 31 December 2009, the Group did not have any potentially dilutive shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

32. DIVIDENDS

The General Meeting of Shareholders of the Company on 22 July 2009 resolved to distribute dividends amounting to VND351,281 million (VND2,000 per share).

33. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

	Transaction value	
	2009 VND million	2008 VND million
Members of Board of Management and Board of Directors		
Gross salaries and other benefits	28,959	33,401

34. COMMITMENTS

34.1 Capital expenditure

As at 31 December 2009 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	2009 VND million	2008 VND million
Approved and contracted	365,161	216,343

34.2 Leases

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

	2009 VND million	2008 VND million
Within a year	4,626	2,295
Within two to five years	18,530	9,230
More than five years	159,364	76,384
	182,520	87,909

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

35. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, there were following significant events:

- The Group has entered into an agreement to dispose its instant coffee production facilities. The transaction is expected to complete within the first quarter of 2010.
- On 8 February 2010, the Group issued 1,806,820 shares at par to its employees.

36. PRODUCTION AND BUSINESS COSTS BY ELEMENT

	2009 VND million	2008 VND million
Raw material costs included in production costs	6,528,518	5,415,693
Labour costs and staff costs	460,890	405,048
Depreciation and amortisation	234,078	178,340
Outside services	377,410	295,550
Other expenses	996,131	902,548

Prepared by



Le Thanh Liem
Chief Accountant

Approved by



Mai Kieu Lien
Chief Executive Officer

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Ward 6, District 3, Ho Chi Minh City

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Email: vinamilk@vinamilk.com.vn

Website: www.vinamilk.com.vn

» BRANCH IN HA NOI

57 Tran Duy Hung Street, Trung Hoa
Ward, Cau Giay District, Ha Noi City

Tel: (84.4) 35 563 638

Fax: (84.4) 35 563 621

» BRANCH IN DA NANG

Plot 42, Trieu Nu Vuong Street
(lengthened part), Hai Chau District,
Da Nang City

Tel: (84.511) 3 897 449

Fax: (84.511) 3 897 223

» BRANCH IN CAN THO

86D Hung Vuong Street, Thoi Binh
Ward, Ninh Kieu District, Can Tho City

Tel: (84.710) 3 811 274

Fax: (84.710) 3 827 334



» IN THE SOUTH

89 Cach Mang Thang Tam Street, District 1	Tel: 38 324 125
198 Nguyen Dinh Chieu Street, District 3	Tel: 39 302 792
175 Nguyen Chi Thanh Street, Ward 7, District 10	Tel: 39 572 547
202-204 Le Quang Dinh Street, Binh Thanh District	Tel: 35 104 682
1146, Avenue 43, Binh Chieu Ward, Thu Duc District	Tel: 64 031 423
275 Quang Trung Street, Ward 10, Go Vap District	Tel: 39 896 524

» IN THE CENTRAL

184 Hoang Dieu Street, Hai Chau District, Da Nang City	Tel: 0511 3582 986
--	--------------------

» IN THE WEST

108 Tran Hung Dao Street, Ninh Kieu District, Can Tho City	Tel: 0710 3815 980
--	--------------------

ADDRESS OF FACTORIES

TRUONG THO DAIRY FACTORY

32 Dang Van Bi Street, Truong Tho Ward,
Thu Duc District, Ho Chi Minh City
Tel: (84.8) 38 960 727 - Fax: (84.8) 38 966 884

Main products: Condensed milk, UHT milk, soy-bean milk, yoghurt, fruit juice, cheese.



DIELAC DAIRY FACTORY

Bien Hoa I Industrial Park, Binh An Ward,
Bien Hoa City, Dong Nai Province
Tel: (84.61) 3836 115 - Fax: (84.61) 3836 015

Main products: Dielac Powdered Milk for kids & adults, infant cereals.



THONG NHAT DAIRY FACTORY

12 Dang Van Bi Street, Truong Tho Ward,
Thu Duc District, Ho Chi Minh City
Tel: (84.8) 38 960 725 - Fax: (84.8) 38 963 140

Main products: Condensed milk, UHT milk, ice -cream, yoghurt and drinking yoghurt.



ADDRESS OF FACTORIES

HA NOI DAIRY FACTORY

KM 14, Duong Xa Commune, Gia Lam District, Ha Noi City

Tel: (84.4) 38 276 418 - Fax: (84.4) 38 276 966

Main products: Condensed milk, UHT milk, ice-cream, yoghurt, drinking yoghurt, soy-bean milk.



BINH DINH DAIRY FACTORY

87 Hoang Van Thu Street, Qui Nhon City, Binh Dinh Province

Tel: (84.56) 3 847 312 - Fax: (84.56) 3 746 065

Main products: UHT milk, ice-cream, yoghurt and drinking yoghurt.



NGHE AN DAIRY FACTORY

Sao Nam Road, Nghi Thu Commune, Cua Lo Town, Nghe An

Tel: (84.38) 3 949 032 - Fax: (84.38) 3 824 717

Main products: Condensed milk, UHT milk, yoghurt.



ADDRESS OF FACTORIES

SAI GON DAIRY FACTORY

Plot 1-18, G1 Area, Tan Thoi Hiep Industrial Park,
Avenue 80, Hiep Thanh Ward, District 2,
HoChi Minh City

Tel: (84. 8) 37 176 355 - Fax: (84. 8) 37 176 353

Main products: UHT milk, yoghurt and drinking yoghurt.



CAN THO DAIRY FACTORY

Tra Noc Industrial Park, Tra Noc Ward,
Binh Thuy District, Can Tho City

Tel: (84.710) 3 842 698 - Fax: (84.710) 3 842 811

Main products: UHT milk, yoghurt, ice -cream, cake



SAI GON COFFEE FACTORY

Road NA7, My Phuoc II Industrial Park,
Ben Cat district, Binh Duong Province

Tel: (84.650) 3553 292 - Fax: (84.650) 3553 290

Main products: Coffee



TIEN SON DAIRY FACTORY

Tien Son Industrial Park, Tien Du District,
Bac Ninh Province

Tel: (84.241) 31 714 814

Fax: (84.241) 31 714 807



ADDRESS OF FACTORIES

LOGISTICS ENTERPRISE

32 Dang Van Bi St., Truong Tho Ward,
Thu Duc District, Ho Chi Minh City
Tel: (84.8) 38 966 673 - Fax: (84.8) 38 960 804

Main services: Transportation, delivery of goods



HA NOI LOGISTICS ENTERPRISE

KM 11, National Road No. 5, Duong Xa Commune,
Gia Lam District, Ha Noi City
Tel: (84.4) 38 276 418 - Fax: (84.4) 38 27 6966

Main services: Transportation, delivery of goods



AN KHANG CLINIC

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