

FLYING TO THE NEW LEVEL



SHARING DREAMS



VINAMILK

ANNUAL REPORT 2008

FOR THE SURPASSING FUTURE GENERATION





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REPORT OF THE BOARD OF DIRECTORS

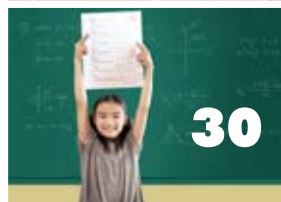
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Sharing dreams



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Message



Vision

“To become the leading Vietnamese trusted brand on nutrition and health products for human life.”

Mission

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

Core Values

- **Respectability:**

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

- **Will:**

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

- **Openness:**

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

- **Integrity:**

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

- **Harmony of interests:**

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

- **Efficiency:**

We always focus on added-values in all works and activities of investing and operating.

- **Creativity:**

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



Vinamilk
takes up to **37%**
OF LOCAL MARKET SHARE

“With the goal of becoming one of the leading Groups producing healthy foods and beverage in Vietnam, the company has begun execution of projects on expanding, developing the healthy beverage products as well as on re-structuring its production scale in the South of the country. These two projects are the focus in the company’s strategy for long-term and sustainable development.”

Dear Honorable Shareholders

The Vietnamese economy has experienced an especially difficult year. On the market of foods, the significant effects from the crisis of melamine - infected milk in China have caused negative impacts on the purchasing power of the consumers. However, in such a difficult and challenging situation, Vinamilk has continued proudly growing and affirming its brand name’s reliability. With its strong commitment for quality and its prudent selection of material sources from Australia, Europe, products of Vinamilk have proved its preeminent position in the market and ensured the trust and satisfaction from its customers. In the year 2008, Vinamilk continues holding the leading position in the dairy market in Vietnam with its impressive growth rates, i.e. the total sales increased 25.5% as compared with those of the year 2007, reaching 102.2% of the plan, profit before tax increased 43.5% in comparison with that of the year 2007, realizing 103.4% of the plan.

In the year 2008, the company has kept on improving and extending its distribution network by developing a competent team of sales and marketing, structuring and expanding distributor network and sales channels, executing the plan of direct sales on van. In combination with the effective marketing strategy and quality management system, the company continues its constant efforts to improve its product quality, which is considered the essential factor to the successes of Vinamilk.

With the goal of becoming one of the leading Groups producing healthy foods and beverage in Vietnam, the company has begun execution of projects on expanding and developing the healthy beverage products as well as on re-structuring its production scale in the South area. These two projects are the focus in the company’s strategy for its long-term and sustainable development.

On 31 October 2008, the company has received the decision of Singapore Stock Exchange (SGX), the first time granting license on listing to a Vietnamese company, showing its acceptance of the company's new issuance of shares and listing 5% of its existing share capital on the main board of SGX. This significant event has proved that its corporate governance has obtained more transparency and is more complied with the international generally accepted principles and practices. However, the difficult situation of the international and the region economies has caused certain effects on the company's plan on share listing.

Financial performance

The Company achieved impressive consolidated results as follows:

	Actual 2008	Plan 2008	Actual 2007	% achieved	
(VND billion)	[A]	[B]	[C]	[A/B]	[A/C]
Net sales	8,381	8,200	6,675	102.2%	↑25.5%
Profit before tax	1,371	1,326	955	103.4%	↑43.5%
Profit after tax	1,250	1,140	963	109.7%	↑29.8%
Earnings per share (EPS: VND/ share)	7,132	6,175	5,607	115.5%	↑27.2%

Below is the actual capital expenditure of internal expansion plan for the year 2008:

	Actual	Plan	% achieved
(VND billion)			
New projects	298	326	91.4%
In-transit projects from previous years	230	244	94.2%
Repairs & maintenance	18	30	60%
Total	546	600	91%

Dividends

Given the good results for the year, the Board recommends for shareholders' approval a total dividend for the year 2008 of VND 2,900 per VND 10,000 par-value share (equivalent to 29% on share par-value). The dividend has been paid by cash during the year.

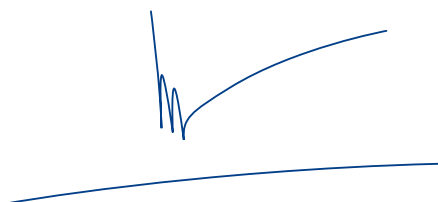
Barring unforeseen circumstances, it is the Board's intention to maintain the dividend at not less than the normal dividend of the previous year. However, in any given year, the actual payout will need to take into account the Company's consolidated earnings outlook and plans for new investments to ensure Company's sustainable growth.

Acknowledgements

On behalf of Vinamilk, I would like to express my sincere gratitude to our customers, our business partners and government agencies for their trust and support, which give significant contribution to Vinamilk's strong and sustainable success. I wish you all success in work and in business, and hope to expand our cooperation. I would like to thank to more than 4,200 Vinamilk employees for your effective contribution, and I hope that you will strengthen your ability to lead Vinamilk to more success in the future.

2009 probably encounters more difficulties due to the global economic crisis, but it also brings valuable opportunities for growth when the consumers come back to the international quality products sold at local prices. The outlook for business results of the year 2009 is positive if we know how to take full advantage of these opportunities. Vinamilk commits to do at its best to meet the expectations of the shareholders.

Ho Chi Minh City, dated 23 March 2009

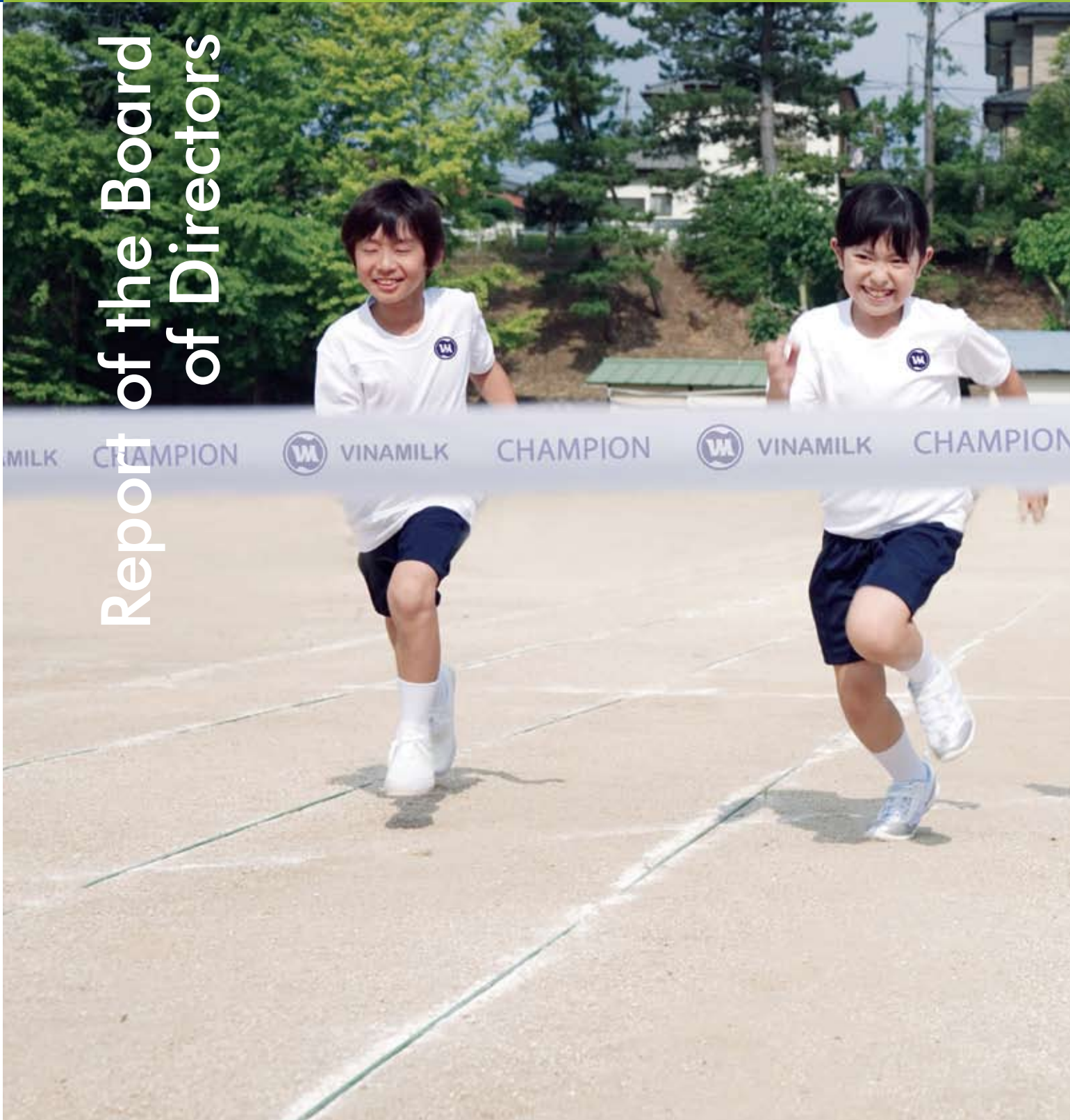


MAI KIEU LIEN

Chairwoman

- ▶ Business overview
- ▶ Business strategies
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Report of the Board of Directors



Daily nutrition from nature



More than **125,000** outlets
NATIONWIDE

Total sales have increased by 25.5 % and profit before tax has increased by **43.5 %** as compared with that of the year 2007 when the context of difficult economy has been the most persuasive evidences for the Vinamilk internal power and potential for the development of dairy industry of Vietnam. The brand name “Vinamilk” has been recognized as the leading trusted brand on nutrition and health products for human life.

OVERVIEW

In the year 2008, Vinamilk continues holding its leading position in the dairy market in Vietnam with the market share accounted for approximately 37%. With the existing 9 dairy plants and 1 coffee plant located in the provinces and cities along the territory of Vietnam, total designed capacity of Vinamilk reaches approximately 504 thousand tons/year. The broad range of dairy products of Vinamilk is divided into core brands, including liquid milk, powdered milk, condensed milk, spoon yoghurt and other dairy products such as ice cream, cheese, fruit juice and coffee.

Condensed milk

Condensed milk is a traditional product of Vinamilk, which was firstly launched in 1976. This product has been the biggest sales contributors of Vinamilk but its proportion in the company's product structure has been gradually decreased upon the development strategy of Vinamilk. In the year 2008, sales from condensed milk products have contributed 29% in the total product revenues of the company. Majority of condensed products are consumed in Vietnam and a small part is exported to Cambodia and Philippines.

Liquid milk

UHT includes fresh milk and drinking yoghurt. This segment of products is the second biggest sales contribution to the local sales of Vinamilk and ranks the third contribution to the total sales of the company. Mainly being consumed in local market, in the year 2008, the sales from this type of product have taken up 27% of product sales of Vinamilk. The competition in the market of liquid milk is highly intensive since there are many involving players, such as Vinamilk, Dutch Lady, Hanoimilk, Moc Chau, etc, not mention to some UHT milk product brands imported. However, the biggest competitor of the company is Dutch Lady which has the equal market share with Vinamilk. In the coming years, liquid milk is the key product in Vinamilk's strategy for development.

Powdered milk

Includes powdered milk and infant cereals, which are consumed at both local market and for exports. These are the key products of Vinamilk for export to the Middle East. Sales from powdered milk



account for 29% of the company's sales from products in the year 2008, equivalent to those from condensed milk thanks to the dramatic increase in local sales and exports of this product. This market segment of Vinamilk is under the severe competition with the international brands such as Abbott, Mead Johnson, Nestlé, Friso as well as from the local competitors as Dutch Lady, Nutifood, etc. The potential for growth of this product range is great and in the coming years, this will be the emphasis of Vinamilk's development strategy.

Yoghurt

Accounts for 12% of Vinamilk's total product sales in the year 2008. After slow-growth rate of only 10% in the year 2007, the sales from this category has experienced a spectacular increase in the year 2008 with the growth rate reaching 42% thanks to the intensive investment into cold and cool store system and expansion of distribution network. Vinamilk has remained its dominant position in this market segment. And according to our assessment, the perspective for the development of this product range is huge in the future.

Factors influencing the company's operations

Fluctuation of the economy

The year 2008 has seen many unexpected fluctuations in both the world and the local economies. The economic crisis originated from American financial market then spreads widely to other countries and causes material effects on the whole world economy. Particularly, the economy of Vietnam has experienced a rocketed inflation rate, the high bank loan interest rate and the fluctuated exchange rates. All these factors cause many difficulties and obstacles to all enterprises in Vietnam. The consumption price index saw a high increase in the first quarters and then continuous increases in the second and the third quarter of the year 2008. However, this index experienced a constant decrease in the fourth quarter. As a result, the consumption price index of December 2008 has increased 19.89% as compared with that of December 2007 and the average index of the year 2008 has increased 22.97%. After three consecutive years having GDP growth rate of over 8%, the GDP growth rate in the year 2008 has felt down to 6.23%. The world economy in general and the Vietnamese economy in particular are estimated to meet with many difficulties in the year 2009.

For dairy industry, apart from general difficulties of the economy, scandal that melamine-infected milk are found in China and then in neighboring countries has been a stroke on the trust of consumers. After the event of melamine-infected milk, consumers have been disappointed with the news that some powdered milk products have protein proportion much lower than the portion disclosed on the packages. The consecutive scandals related to milk quality have pushed the consumers to transfer to find the products of reliable branded name. However, this is the opportunity for Vinamilk to further develop its business. With the existing valuable resources, from strict selection of input materials, the advanced and innovative production technology and equipment in combination with a team of expertise and competent staff, the quality of Vinamilk's products is consistently complied with the Vietnamese and international standards. In the recent scandal of milk quality, all the products of Vinamilk have been tested to free from melamine. This endorsement, one again, affirms our strong commitment to the product quality.

Demand for dairy products

Demands for dairy products in Vietnam during the last year have experienced a stable growth. Together with the economic development, consumers now pay more attentions to their health and consequently, use more dairy products, especially, powdered milk, liquid milk and yoghurt. According to the report of TNS Worldpanel Vietnam on Vietnamese dairy market, in the year 2007, powdered milk accounted for 51% of the market values, fresh milk, spoon yoghurt and liquid milk accounted for 25% and 7% of market values respectively. The remaining market values are for other milk products. In respect of growth rate, the market segment of powdered milk takes the leading position and the second position is taken by fresh milk.

Under the forecast of the IMF and World Bank, the economic growth rate of Vietnam in the year 2009 may go down but remain approximately at the rate of 5% or higher. The statistic figures have shown that in the year 2008, the population of Vietnam is about 86 million, the population growth rate reaches approximately 1.2%, the urbanization rate gradually increase with the urban population increase from 25% in 2003 to 28% in 2008. These factors will stimulate the demands for dairy products in the future.

Designed capacity

The total current capacity of Vinamilk is 504 thousand tons/year and the productivity reaches nearly 70%. In the year 2008, Vinamilk has completed and put Tien Son Dairy Factory located at Tien Son Industrial Park, Bac Ninh Province into operation. This factory is specialized in producing UHT milk, drinking yoghurt, spoon yoghurt and fruit juice to serve the North market. The company also has put the production line of fermented probi yoghurt into operation with the capacity of 3,5 million liters/year. At the same time, the company will continue upgrading its machinery and equipment at the existing factories. In December 2008, the second phase of Saigon Coffee Factory has been completed, increasing the factory's capacity up to 6,000 tons of roasted and ground coffee and 1,500 tons of instant coffee.

To prepare for its growth in the future, Vinamilk has a plan to build up a mega factory in Binh Duong Province and will remove two factories in Thu Duc District to this complex area. In addition, it also plans to build up a factory producing healthy beverage products such as fruit juice, Soya-bean milk and other natural drinking products to meet the increasingly demands of beverage market.

Competition

The dairy market in Vietnam is highly competitive. Besides the local competitors, Vinamilk has to compete with imported products from the big names such as Abbott, Mead Johnson, Nestlé, Dutch Lady, etc.

However, last year, Vinamilk continued to hold its leading position in the market with its dairy products segment accounting for approximately 37% of the market share.

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. Consequently, the decrease in rate of import tariff will bring advantages to local producers. In the current context, it is proposed to increase the rate of import tariff to protect the local dairy cow husbandry.

BUSINESS RESULTS

The total sales of Vinamilk have seen a sharp increase in the year 2008 with the growth rate of 25.5% in comparison with that of the same period in the previous year, in which the local sales have increased by 19.4% and the export sales have increased 79.7% compared with that of the year 2007. From its equitization in November 2003 to now, the sales of Vinamilk have experienced an average growth rate of 22.1%/year.

The increase of sales in the year 2008 is mainly thanks to the significant sales contribution from powdered milk – infant cereals, liquid milk and yoghurt. The growth rates of three categories are over 30%.

One of the significant factors leading to these successes of the company is the extensive distribution network with 125,000 outlets nationwide. More investments are made to cold and cool stores and freeze vehicles to meet the growth of yoghurt products. In the year 2008, Vinamilk has purchased over 7,000 cold & cool stores for the cool distribution system and more than 300 small vans for distributors.

Moreover, the reliable quality of products has enabled Vinamilk to overcome the event of melamine-infected milk while other producers are suffered from effects of this event and some other events relating to the quality of milk.

Gross profit margin of Vinamilk is remained at the high level and has achieved a stable growth through the years, from 25.1% in 2006 to 26% in 2007 and reaching 31.6% in 2008. These successes are the results of the excellent and effective cost management capacity as well as the right changes in products mix, concentrating on value-added products.

In respect of the figures, the cost of goods sold has increased from VND 4,836 billion in 2007 to VND 5,611 billion in 2008, equivalent to 16% increase although the prices of fresh milk and milk powder, main materials of the company, are still high. In 2008, Vinamilk has purchased 118 thousand tons of fresh milk with the value of nearly VND 840 billion, increasing 14,2% in turn of output and 34,2% in respect of values. On the contrary, the packaging cost for the period only increases 12,9% thanks to the good management.

Sales breakdown

The biggest change in sales proportion is seen in the product range of powdered milk - infant cereals with the increase from 24% in 2007 to 29% in 2008 while sales proportions of liquid milk and yoghurt products have experienced a slight increase from 26.5% to 27.1% and from 12% to 13% respectively in 2008. At the same time, there is a decrease in sales proportion of condensed milk from 36% down to 29%, (down by 7 %).

Financial income in the year 2008

A slight increase from VND 258 billion in 2007 to VND 265 billion in 2008, equivalent to an increase of 3%. In which, the income from dividends and profit shared increases from VND 10 billion to VND 30 billion, and the gains from exchange difference raise dramatically from VND 9 billion to VND 46 billion in the same period.

Financial expenses

Have sharply increased from VND 26 billion in 2007 to VND 198 billion in 2008, mainly due to provision for diminution in value of investment in securities with an amount of VND 123 billion and the increase of VND 32 billion in exchange loss (from VND 15 billion in 2007 to VND 47 billion in 2008).

Selling expenses in 2008

Reach VND 1,052 billion, increasing 22% compared to that of the year 2007. Since the increase in selling expenses is lower than the sales growth, the ratio of selling expenses to net sales in the year 2008 has been down to 12.8% as compared with 13.2% of year 2007. This ratio has decreased mostly due to the reduction in sales promotion expenses and supports given to distributors.

General and administration expenses in 2008

Have increased in both respects of figures and of ratio to revenues. General and administration expenses in 2008 are VND 298 billion, equivalent to 45.8% increase in comparison with VND 204 billion of the year 2007. This is mainly due to the increase in expenses on external service rendered. The ratio of general and administration expenses to net sales in 2008 has slightly increased, but still remained low at the rate of 3,6%.

Net profit from operating activities

Net profit from operating activities in 2008 has increased 52% in comparison with that of the year 2007, which is higher than the increase of 40% in 2007 as compared with that of the year 2006. The ratio of net sales from operating activities to net profit has reached 16%, much more higher than this ratio of 13,2% in 2007 and of 9,9% in 2006, mainly thanks to the faster growth rate of sales compared with that of expenses.

The company's ultimate goal is to maximize the values to shareholders and to pursuit 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 by application of scientific researches on specific demand of Vietnamese on nutrition in order to launch the best products to Vietnamese consumers;
- Making more investment into expanding its market of healthy beverage products through the core brand of VFresh to meet the increasing demands for healthy and natural beverage;

- Strengthening its distribution quality and network to expand its market segment in the market where Vinamilk's segment is not high, especially in rural area and small towns;
- Making comprehensive investments into developing a strong brand, new range of products and upgrading quality of distribution network of cold products (spoon z, ice-cream, UHT milk) to turn this range of products into the key contributor to the company's sales volumes and profits;
- Exploring the power and developing reliability of Vinamilk brand as the most reliable and trusted brand to the Vietnamese and in order to account for at least 35% of powdered milk market share in the next 2 years;
- Developing comprehensively the portfolio of dairy products, targeting various consumers and expanding value-added products 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 materials sources to ensure a stable fresh milk supply with high quality and competitive prices.

DISTRIBUTION NETWORK

Domestic market:

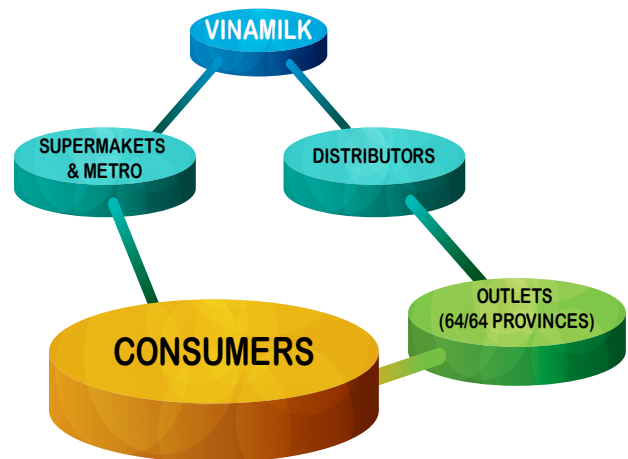
Sales in the domestic market account for more than 80% of the total sales. The domestic market is the Company's main market in its long-term development plan. The Company's products are delivered to consumers through two distribution channels:

Traditional channel:

Distributors → Outlets → Consumers

Modern trade:

Supermarkets / Metro → Consumers.



Export market :

The export sales account for approximately 15-20% of the total sales. The Company's main export markets are the Middle-east countries, Cambodia, Philippines and Australia.

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

The key export products are powdered milk and condensed milk.



The company has a strong belief that its successes and great potential for future growth are originated from the combination of the following strengths:

- The strength of its sales is created from our large market segment of almost dairy products. Liquid milk takes up 45%, spoon yoghurt and condensed milk accounts for 85% of local market. Two core segments of products, liquid milk and yoghurt, have seen a continual growth rate of over 30%/year;
- For the nutrition products, Vinamilk is undoubtedly a leading and trusted brand in the mind of Vietnamese consumers;
- Extensive sales and distribution network located nationwide allowing Vinamilk to bring its core products to over 125,000 outlets;
- Maintaining a sustainable and strategic relationship with suppliers, ensuring a stable source of reliable quality materials at the most competitive prices in the market;
- Having strong capacity for research and development of new products, satisfying the trends and demand of consumers in the market;
- Owning a professional governance system and procedure, operated by a competent and experienced management team, which has been persuasively proved by the impressive and stable business results of the company;
- Having modern and advanced production equipments and technology, meeting the international standards.





A BUSINESS
is built up by **4** brands

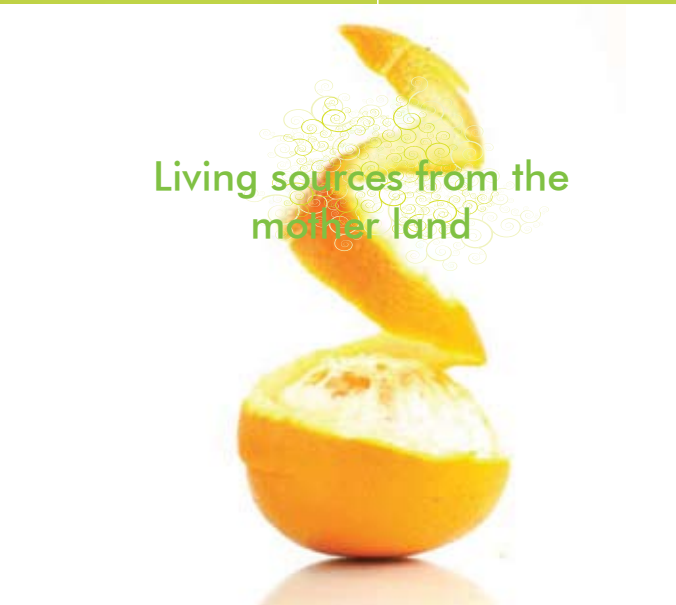




A beautiful life



Mum's love



Living sources from the mother land



Sublimable Emotion

Vinamilk has a diversified range of products, meeting the increasing demands of the consumers. The company has 4 core brands, in which Vinamilk and Dielac are the key brands and Vfresh is a new one but has great potential for further development.



Dairy Products:

“Vinamilk” is one of the core brands for various products such as liquid milk, drinking yoghurt, spoon yoghurt, ice-cream, fermented yoghurt and cheese. We have focused on building our brand as a vital image on health and beautiful life.

LIQUID MILK

1. Liquid milk for family

- **Vinamilk 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 a beautiful life.

- **Vinamilk Flex:**

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

2. Liquid milk for kids

MilkKid is produced from fresh cow milk, rich in calcium and minerals, and treated by a modern UHT technology, help children's growth and development, keeping them healthy, agile and intelligent.





YOGHURT

1. Drinking yoghurt

Includes 2 types of products, Vinamilk Drinking Yoghurt and SUSU Drinking Yoghurt with many flavors. Yoghurt is very good for digestive system and provides good nutrient sources to health.



2. Spoon Yoghurt

Made from 100% pure fresh milk, Vinamilk Yoghurt Milk is flavored with many natural fruity flavors such as aloe vera, strawberry, orange, etc. and provides abundant Proteins, Vitamins, Minerals and Calcium, which are essential for our health. Vinamilk Yoghurt Milk strengthens digestive system, enhances the body immune system, helps the skeletal system develop strongly as well as brings smooth and flesh complexion and helps you keep in shape.



3. Fermented Yoghurt Probi

Vinamilk Probi is the yoghurt product fermented from billions of Lactobacillus Casei, working well in digestive system, helping to reinforce the resistance of digestive system, purify toxin from food and surrounding environment as well as absorb nutrients at maximum capacity. Drinking Vinamilk fermented yoghurt Probi every day helps you keep digestive system healthy from the inside naturally.



POWDERED MILK

1. Dielac Mama for pregnant

Consumed exclusively by the 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, that 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 children

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 7 – 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 adults

- **Dielac Canxi:**

Dielac Canxi is a nutrient-rich, high-calcium, low-fat powdered milk, which helps to prevent osteomalacia, take care of and thus strengthening the operation of human's hearts.

- **Dielac Sure:**

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

- **Dielac Diecerna:**

Dielac Diecerna is produced for diabetics in line with an optimal balanced formula, supplies compressive nutrients.



CONDENSED MILK

1. Ong Tho

Ong Tho is specially targeted various needs of consumers. It is produced from high-quality cow milk, powdered milk, fat, refined sugar and vitamin A, D and B1.



2. Southern Star

Southern Star with vegetative fat content and without cholesterol is good for elderly and people who need to limit absorbing the animal's fat. Green labeled Southern Star condensed milk is especially delicious when making white coffee, making cakes and yoghurt.



ICE-CREAM

With many natural fruit flavors such as strawberry, durian, coconut, taro, green-bean, etc. It is available in 1 liter and 450ml packages, which is convenient 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, it has high calcium content and provides various nutrients.



Non-dairy products:

COFFEE

Being produced from the best coffee grain, Café Moment is the combination of attractive scent and delicious cream flour that will bring you unforgettable moments.



VFRESH

1. Soy-bean milk Vfresh

Soy-bean milk Vfresh contains 6.4 gram of soy-bean protein in every 200ml portion and was certified the “GOOD FOR CARDIOVASCULAR SYSTEM” standard by the National Nutrition Institute. Without cholesterol, preservative and with many delicious flavors, Soy-bean milk Vfresh is a really nutritious beverage for you and your family everyday.



2. Fruit juice 100% Vfresh

Being made from 100% fruit juice, without preservative and with many delicious flavors, Vfresh juice fruit is the source of Vitamins from the “Mother land”, helping our bodies be strong and dynamic everyday.



3. Necta Vfresh

With fabulous flavors of fruits and various types of package, Necta Vfresh brings you the sense of energetic and joyful everyday.

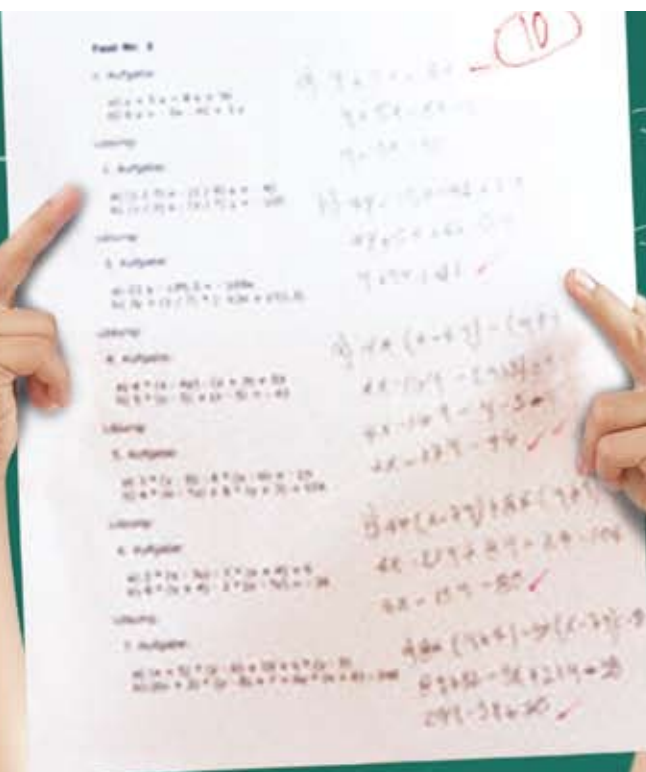


Financial Highlights

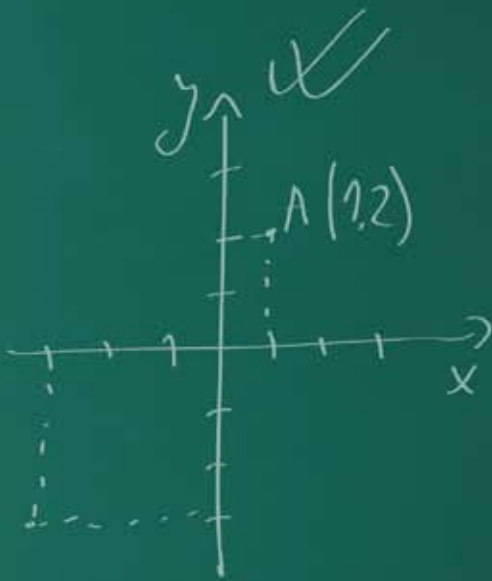
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$$\sqrt{2x+1} + \sin x = 5$$

$$y_p = Ax + Bx$$



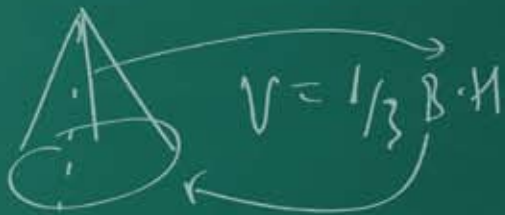
- ▶ Highlighted performance
- ▶ Important events



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$$x_{1/2} = \frac{-b \pm \sqrt{b^2 - 4ac}}{2a}$$

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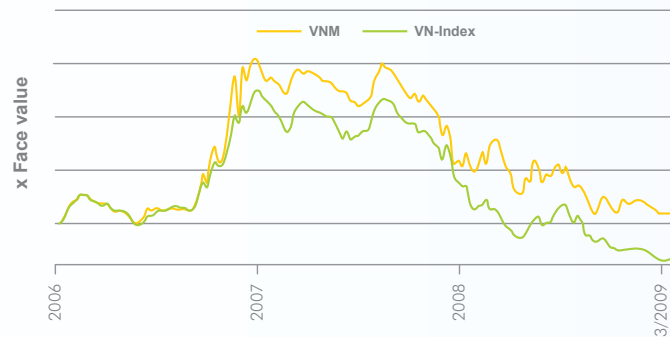
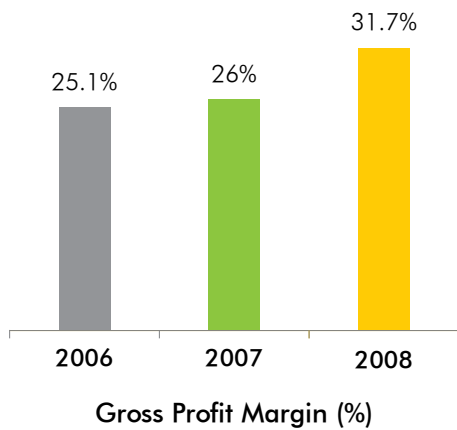


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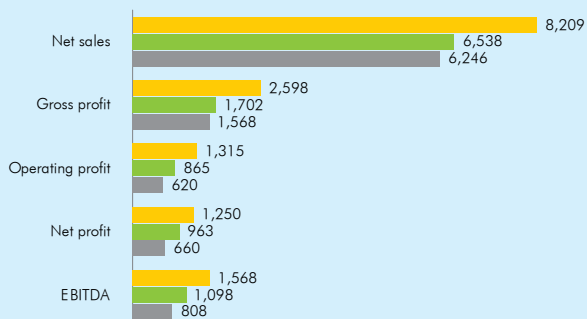
Secrets for the prominence



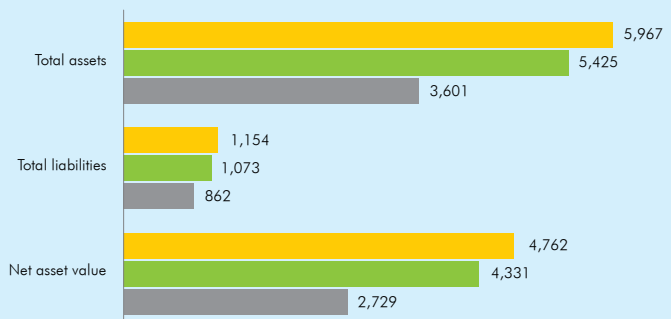
“ The rainbows of life follow the storms ”



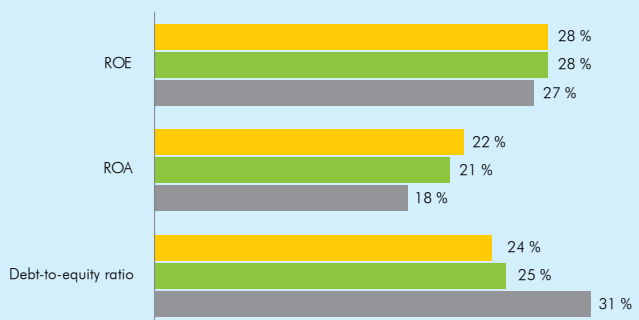
Income Statement (VND billion)



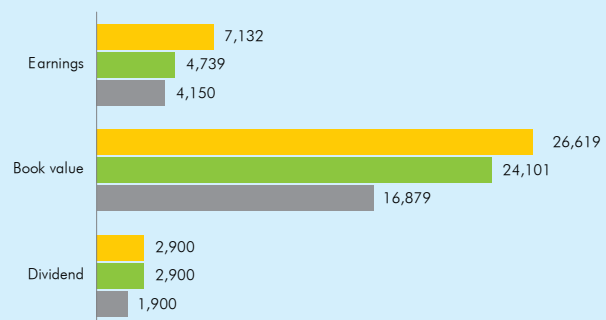
Balance Sheet (VND billion)



Financial Ratio



Per Share (VND)



2008 2007 2006

VND **1.2**
billion ↑
PROFIT AFTER TAX

	2008	2007	2006
Income Statement (VND billion)			
Net sales	8,208,982	6,537,964	6,245,619
Gross profit	2,598,013	1,701,681	1,567,505
Operating profit	1,315,090	865,129	620,247
Net profit	1,250,120	963,448	659,890
EBITDA	1,567,714	1,097,820	807,587
Balance Sheet (VND billion)			
Total assets	5,966,959	5,425,117	3,600,533
Total liabilities	1,154,432	1,073,230	862,150
Net asset value	4,761,659	4,331,172	2,729,242
Financial Ratio			
ROE	28%	28%	27%
ROA	22%	21%	18%
Debt-to-equity ratio	24%	25%	31%
Per Share (VND)			
Earnings	7,132	4,739	4,150
Book value	26,619	24,101	16,879
Dividend	2,900	2,900	1,900

On 25 June 2008

Vinamilk decided to approve construction of the factory, specializing in manufacturing healthy beverage at My Phuoc II Industrial Park, Binh Duong Province with the investment capital of over VND 300 billion in the period from 2009 to 2012.



On 30 June 2008

The “Fund for one Million Glasses of Milk for Poor Children in Vietnam” was established on 30 June 2008 by the National Fund for Vietnamese Children and Vinamilk Corporation. The chairman of this fund is the Minister of Labor, War Invalids and Social Affairs. This fund has reached 28 provinces and cities nationwide and received the enthusiastic support from the communities.

On 5 September 2008 – Vinamilk increased its committed amount of support to “the Fund of one Million Glasses of Milk for Poor



Children in Vietnam” up to VND 10 billion, equivalent to three million glasses of milk. This success is resulted from the generous support of consumers to the program. Accordingly, when a pack of Vinamilk milk is sold, 60 VND will be contributed to the fund. The main purpose of this program is to give support to Vietnamese children, particularly the poor children in the difficult conditions. The message given through this program is that the poor children also reserve the right to drink milk and to equally develop like others.



In September 2008

The “Melamine storm” from China has caused significant effects on Vietnam’s dairy market. However, brand name and prestige of Vinamilk have not been affected because all its materials and products have been officially confirmed free from melamine and safety for the consumers’ health by the Ministry of Health.

On 17 September 2008

Vinamilk was honored to receive the Most effective Use of Advertising award for the launch of “100% UHT fresh milk” products. This award is under the prestige and reputable system of Asian Marketing Effectiveness Awards held annually by MEDIA magazine Asia and Haymedia of England in order to summarize the Marketing programs, assess the effectiveness of remarkable advertising and marketing campaigns as well as honor the most excellent advertising campaigns during the year of Asia.

On 01 August 2008

Vinamilk financed the Vinamilk – Arsenal community football school located at Hoa Lu Stadium, No. 2 Dinh Tien Hoang, Dist. 1, HCMC. This is the only center which belongs to the Arsenal football center system for community football movement in Vietnam with the support of HCMC Football Federation and the Service of Culture – Information and Tourism of HCMC. Vinamilk believes that the nutrients supply combined with movement will ensure the comprehensive growth of children. This is a green, clean and healthy playing-field for children from 3 to 12 years old to exercise and play under the guidance of famous coaches and trained experts from Arsenal Club – England.



On 31 October 2008

Vinamilk was the first Vietnamese company officially receiving the eligible to list letter of Singapore Stock Exchange (SGX), licensing Vinamilk to issue and list its 8,763,784 new ordinary shares on the main board of Stock Exchange of Singapore.

On 08 November 2008

Vinamilk decided to approve the project of restructuring production factories in the South area to serve the company's long-term development strategy. This project is developed with the investment capital of over 1,330 billion VND in the period from 2009 to 2012.



On 25 November 2008

Vinamilk was ranked in Top 10 of the Vietnam's largest private companies disclosed by VietNamNet and Vietnam Report in the VNR500 Board – Top 500 largest businesses of Vietnam in 2008.



Corporate profile

- ▶ Company Introduction
- ▶ Corporate structure
- ▶ Personnel structure
- ▶ Board of Management
- ▶ Board of Directors
- ▶ Inspection Committee



Vinamilk, investment for future generations



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.

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.

1992

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

1996

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

2003

Was formally converted into a joint stock company in December 2003 and changed its name to Vietnam Dairy Products Joint Stock Company to reflect its change in legal status.

2004

Acquired Saigon Milk Joint Stock Company. Increased share capital to VND 1,590 billion.

2005

Bought over our joint venture partner's remaining shareholdings in Binh Dinh Dairy Products Company Ltd (as Binh Dinh Dairy Factory was then known) 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. and established SABMiller Vietnam Joint Venture Company Ltd. in August 2005. Our first joint venture product, Zorok, was also launched 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 shareholdings.

Opened An Khang Clinic in HCMC 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. Tuyen Quang dairy farm was operational at the time of acquisition.

2007

Acquired a 55% interest in Lam Son Milk Company Ltd. In September 2007, located in Le Mon Industrial Zone, Thanh Hoa province.

AWARDS AND ACOLADES

Our Company, products and “Vinamilk” brand, as the case may be, have received a lot of awards, some of which are:

Date/Period	Award	Awarding Authority
1985	Labour Medal of Third Ranking	President of Vietnam
1991	Labour Medal of Second Ranking	President of Vietnam
1996	Labour Medal of First Ranking	President of Vietnam
2000	Hero of Labour	President of Vietnam
2005	Independence Medal of Third Ranking	President of Vietnam
2006	“Supreme Cup” for Vietnamese goods of high quality and prestige	Intellectual Property Association and Association of Small & Medium Enterprises, Vietnam
Each year from 1995 - 2009	Top brand in the “Top Ten High-quality Vietnamese Goods”	Saigon Marketing Newspaper readers’ choice
2008	Golden Medal - Securities Prestige Brand and Vietnam Top Rank Corporation	SSC - the State Bank of Vietnam, Securities business team, Vietnam Industry & Commerce Securities Co., Thang Long Culture Co.

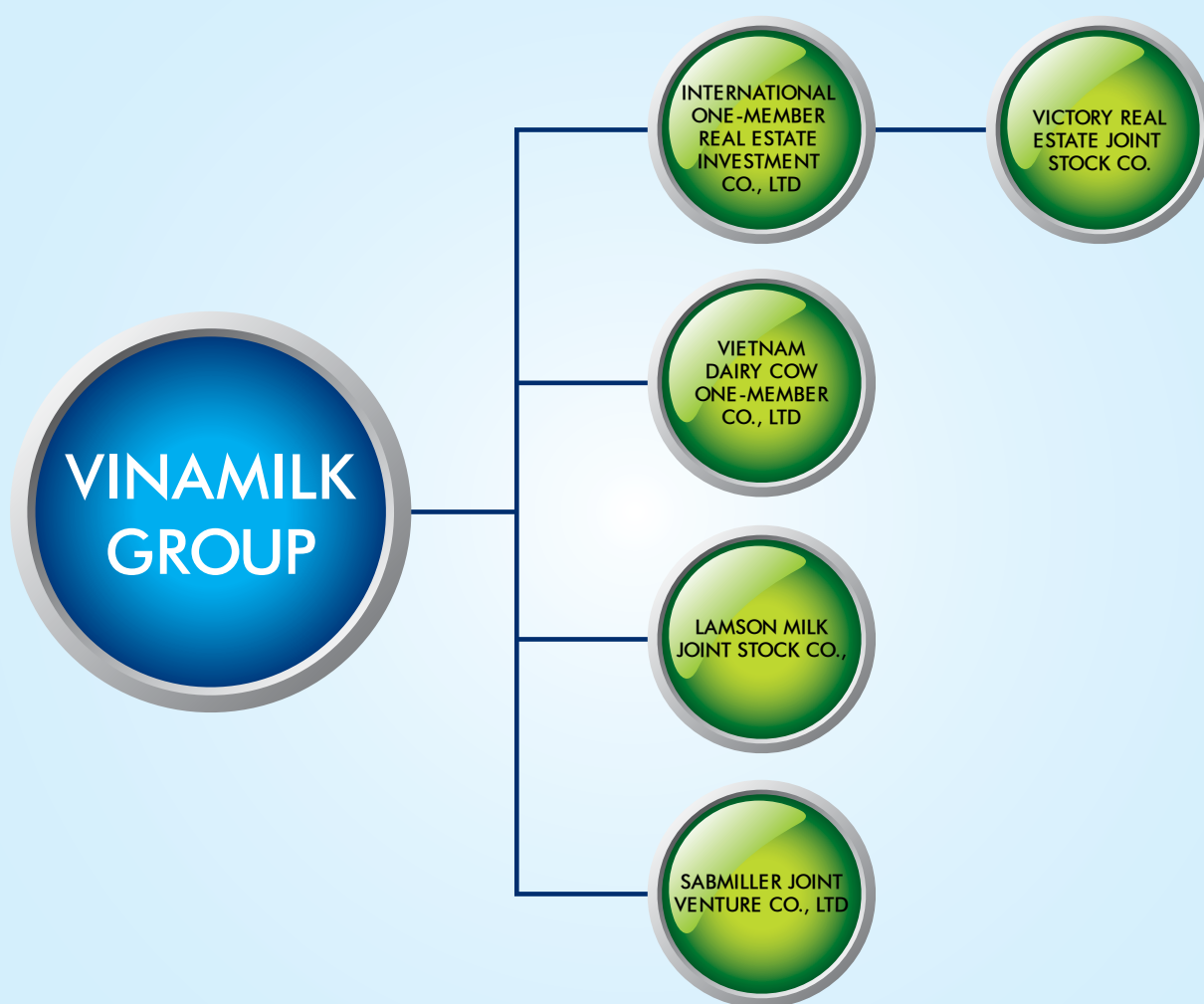




In recognition of her long-term contributions to the development of the Vietnamese dairy industry and the development of Vietnam, our Chairwoman, Ms Mai Kieu Lien, was awarded the following prestigious awards and titles:

Date/Period	Award	Awarding Authority
2006	Labour medal of First ranking	President of Vietnam
2005	Hero of Labour	President of Vietnam
2005	First Prize for Creativity Year 2004	World Intellectual Property Organization
2001	Labour medal of Second ranking	President of Vietnam

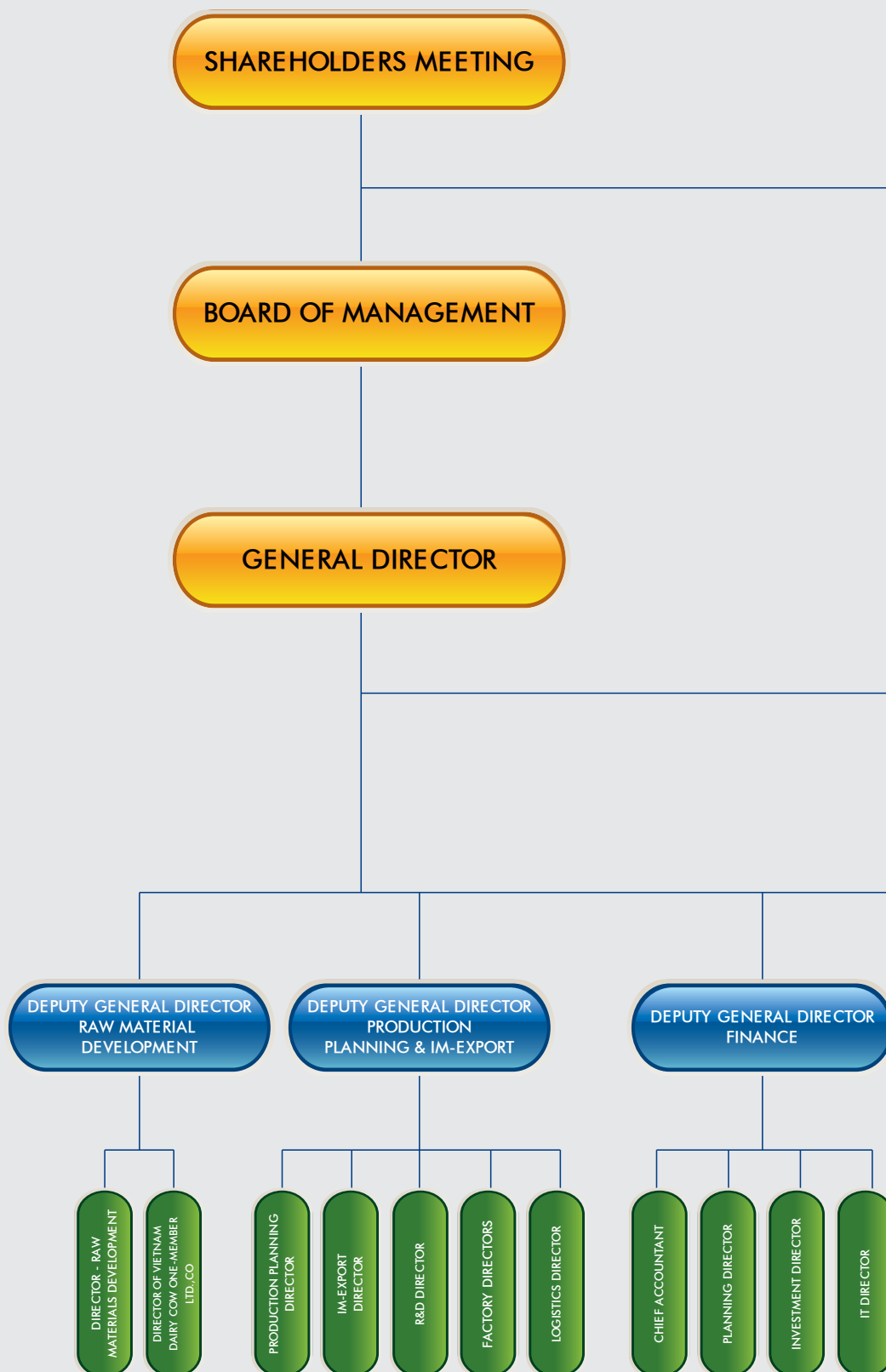




Details of our subsidiaries and joint venture as at 31 December 2008 are as follows:

Name	Date / country of incorporation	Principal Business	Share capital	% owned
International One-member Real Estate Investment Co., Ltd	12 December 2006	Housing business, real estate brokerage and leasing, warehouse and dock leasing.	VND 160 billion	100%
Victory Real Estate Joint Stock Co.	21 December 2007	Provide services and trading in real estate, restaurants, hotels, office for lease, construction of infrastructure in resident areas and industrial park, construction of civil and industrial works.	VND 45 billion	64,25%
Vietnam Dairy Cow One-member Co., Ltd	14 December 2006	Breeding of dairy cow, mixed cultivation and breeding, sale and purchase of alive animals.	VND 100 billion	100%
Lamson milk Joint Stock Co.,	26 February 2007	Production and trade of canned milk, powdered milk and other dairy products, baby food, cake, soy milk, beverages, dairy cow breeding, trade of technology and equipment, raw materials.	VND 80 billion	55%
Sabmiller Joint Venture Co., Ltd	30 June 2006	Production and trade of beer and other fruit flavoured beverages with low alcoholic ratio.	US\$13,5 million	50%

On 17 February 2009, Vinamilk signed the contract with Sabmiller Asia B.V, the partner of the joint venture, to transfer all its share capital contribution in the joint venture to its partner.



INSPECTION COMMITTEE

INTERNAL AUDIT DIRECTOR

DEPUTY GENERAL DIRECTOR/
PROJECT

CONSTRUCTION
DIRECTOR

M&E DIRECTOR

TECH. DIRECTOR

DIRECTOR OF INT. REAL ESTATE
ONE-MEMBER LTD., CO.

DEPUTY GENERAL DIRECTOR
COMMERCIAL

SALES DIRECTOR

BRANCH DIRECTORS

CUSTOMER DEVELOPMENT
DIRECTOR

MARKETING STRATEGY
DIRECTOR

MARKETING DIRECTOR

BEVERAGE TRADE
DIRECTOR

PR DIRECTOR

HUMAN DIRECTOR OF
COMMERCIAL DEPT.

HR DIRECTOR

ADMIN DIRECTOR

DIRECTOR OF AN KHANG
CLINIC

Ms. MAI KIEU LIEN - Chairwoman, General Director

Has been the Chairwoman of our 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. Between September 1980 and February 1982, she was a technology engineer in the Technical department of the United Enterprises of Milk Coffee Cookies and Candies I. She served as a vice technical director in charge of production at Thong Nhat Dairy Factory from February 1982 to June 1983. After finishing her training at Economic University of Leningrad in the former Soviet Union (currently Russia), in July 1984 Ms. Lien was appointed Deputy General Director of the United Enterprises of Milk Coffee Cookies and Candies I. In December 1992, she was promoted to General Director of Vietnam Dairy Products Company. On 14 November 2003, she was elected chairwoman of the Board of Management and thereafter appointed as General Director of our Company. Ms. Lien graduated from Moscow University of Meat and Milk Processing, 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.

Ms. NGO THI THU TRANG - Member, Deputy General Director - Finance

Has been a member of our Board of Management since 14 November 2003, and Deputy General Director of our Company since March 2005. Ms. Trang joined our 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. Between February 1998 and March 2005, Ms. Trang 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 - Finance. Ms. Trang graduated from the Finance-Accounting University, Ho Chi Minh City, with a Bachelor of Arts degree 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 - Member

Has been a member of our Board of Management since 4 November 2006. Mr. Hoc holds a Master of Business Administration degree from Ha Noi National University. 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. In June 2008, the Prime Minister appointed Mr. Hoc as a member of SCIC 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 bachelor majored in Law and Society from Exeter University. He has more than 20 years working in the investment field 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

Has been a member of our Board of Management since 31 March 2007. Between 1987 and 1988, Mr. Wang worked as a corporate development executive with Cold Storage (S) Pte Ltd., and became 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 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.





From left to right

Above : Mr. Tran Minh Van

Ms. Nguyen Thi Thanh Hoa

Mr. Tran Bao Minh

Below : Ms. Ngo Thi Thu Trang

Ms. Mai Kieu Lien

Ms. Nguyen Thi Nhu Hang

Ms. MAI KIEU LIEN

General Director

(See "Board of Management" for information about Ms. Mai Kieu Lien)

Ms. NGO THI THU TRANG

Deputy General Director - Finance

(See "Board of Management" for information about Ms. Ngo Thi Thu Trang)

Ms. NGUYEN THI THANH HOA

Deputy General Director - Production planning and Im-Export

Has been a Deputy General Director of our Company since 2000. Between September 1978 and June 1983, Ms. Hoa was a lecturer at the Ho Chi Minh Polytechnic University. She later joined our Company in July 1983 as a process engineer at Truong Tho Dairy Factory. Ms. Hoa held the positions of deputy director and then director in charge of overall operation of Truong Tho Dairy Factory from July 1991 to 1999. From January 2005, Ms. Hoa is a Deputy General Director of Vietnam Dairy Products Company.

She is currently in charge of planning, import- export, factories, logistics and research and development of our Company. Ms. Hoa graduated from Milk and Meat Processing Technology University, Moscow (now called Moscow National General University of Applied Biology Technology) in 1978 with a Bachelor degree in Milk Processing Technology.

Ms. NGUYEN THI NHU HANG

Deputy General Director - Raw Material Development

Ms. Hang first joined our Company in 1981 where she held the position of deputy manager in the consumption department until 2001. She was later promoted to the position of director in August 2001 where she was in charge of managing the Warehouse Enterprise until December 2002. Ms. Hang was promoted to Deputy General Director in January 2003 where she was in charge of the technical project department. From July 2006, Ms. Hang was in charge of customers services and then in charge of managing and developing dairy farms that supply fresh milk to the Company. In July 2007, Ms. Hang was appointed director of Vietnam Dairy Cow One-Member Limited Company, a subsidiary of our Company. Ms. Hang graduated from the Ho Chi Minh City University of Economics in 1999 with a bachelor degree in business administration.

Mr. TRAN MINH VAN

Deputy General Director - Project

Has been a Deputy General Director of our Company since July 2006. 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 again appointed as a Director of a subsidiary namely, International One-Member Real Estate Investment Co., Ltd. Mr. Van graduated from Ho Chi Minh City Polytechnic University in 1981 with an engineering degree. He obtained a Bachelor in Business Administration from Ho Chi Minh City University of Economics in 1994, a LLB degree (with major in commercial laws) from Ha Noi University of Laws in 2001, and a Master in Business Administration from Ho Chi Minh City University of Economics in 2003.

Mr. TRAN BAO MINH

Deputy General Director - Commercial

Mr. Minh joined Vinamilk in October 2006 as Deputy General Director in charge of Sales and Marketing. Before entering Vinamilk, Mr. Minh worked at PepsiCo Vietnam from September 1999 as a Marketing Manager and was promoted to Marketing Director in August 2001. He was later transferred to PepsiCo's headquarters in New York in February 2004 where he held the position of global Pepsi Innovation Director and led Pepsi's global product and packaging innovation agenda. Between April 2005 and August 2005, Mr. Minh was seconded to PepsiCo Thailand as Marketing Director in charge of formulating Pepsi's marketing strategy in Thailand for non-carbonated beverages. From August 2005 to September 2006, he served as Marketing Director of PepsiCo's Asia Pacific business unit. Mr. Minh graduated from the Ho Chi Minh City University of Economics in 1991 with a Bachelor of Arts majoring in business planning and obtained a Masters in Commerce degree from the University of Western Sydney in 1996.



From left to right: Mr. Nguyen Anh Tuan Ms. Ngo Thanh Thao Ms. Nguyen Thi Tuyet Mai

Ms. NGUYEN THI TUYET MAI

Head of Inspection Committee

From 1993 to 1997, Ms. Mai held the position of manager at ANZ Bank, Ha Noi Branch where she was responsible for trade finance and corporate banking relationship management. Between 1999 and 2003, she was a manager at ANZ Bank, Singapore Branch where her experience covered relationship management for the corporate banking division, international banking strategy, structure commodity, trade finance and Asian region credit management. From 2004 to May 2007, she served as senior manager at the representative office of Openasia Consulting Ltd in Ho Chi Minh City. In June 2007, she was promoted to the position of director of corporate finance in charge of consulting services at Openasia Consulting Vietnam Ltd. Ms. Mai graduated from the Ha Noi University for Foreign Language Studies in 1991 with a bachelor degree majoring in English and obtained a master degree in business administration from the University of Melbourne in 1999.

Ms. NGO THANH THAO

Member

Being a member of the Inspection Committee from March 2008, currently Ms. Thao is an analyst of Dragon Capital Group Ltd. in charge of seeking investment opportunities for the company. Formerly, she had been an audit assistant at Ernst and Young (Vietnam) Ltd. from April 2005, and then was an accountant for Maybank – Ho Chi Minh City branch from July 2006. Ms. Thao got the bachelor of Trade and Management, major of monetary-finance from Victoria University, Wellington, New Zealand.

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 was graduated from American University, Washington D.C., USA with MBA Degree.



A photograph of three young boys on a green grassy field under a clear blue sky. The boy on the left is wearing a red Arsenal jersey with 'Fly Emirates' and a Nike logo. The boy in the middle is holding up a similar red Arsenal jersey. The boy on the right is wearing a white soccer uniform. A soccer ball is on the ground near the boy in the middle. The text 'Dream of becoming a professional player in the future' is overlaid on the bottom left of the image.

Dream of becoming a professional
player in the future



Corporate governance

- ▶ Governance report
- ▶ Risk management
- ▶ Investor relations
- ▶ Community activities

TOP 10

BIGGEST PRIVATE COMPANIES IN VIETNAM

Vinamilk considers good corporate governance to be 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 ("the Code").

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

The Board's Conduct of Affairs

Board responsibilities and accountability

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

It is responsible for the selection, appointment and annual appraisal of the General Director'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 of the current scope of Vinamilk's operations. The current size is sufficient to provide a diversity of views to be represented on the Board, while also allowing efficiency and encouraging active dialogue among its members.

Term of appointment:

The Board's members have the maximum term of five years. The list of the Board members is submitted to the shareholder's meeting for re-election and re-appointment at least once every five years. The Company's charter also requires one-third of the Board members should be re-appointed on each annual general meeting of shareholders. In this respect, Ms. Mai Kieu Lien and Ms. Ngo Thi Thu Trang have been re-elected in the annual general meeting of the Shareholders held in March 2008.

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:

Strategy Committee
Human resources Committee
Remuneration Committee
Finance Committee
Investor Relation 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, setting 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. Ad-hoc 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.

Inspection Committee is also informed and invited to attend the Board's meetings. A record of the Board member's attendances at the Board level meetings held at the fiscal year ended 31 December 2008 is set out in the table below:

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

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:

Ms. Mai Kieu Lien	Chairwoman
Ms. Ngo Thi Thu Trang	Member
Mr. Hoang Nguyen Hoc	Member
Mr. Dominic Scriven	Member
Mr. Wang Eng Chin	Member

The personal profiles of the 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 General Director

The Company's Chairwoman concurrently takes the position of the company's General Director. This appointment is approved by the annual general meeting of shareholders.

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 General Shareholder's meeting appoints the new members. In case that there incurs a vacant position in Board of Management, Board members can appoint the new member and then the nominees will be submitted officially to the coming the nearest General Shareholder's meeting approval.

Board Performance

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

Access of Information

Board members are provided with adequate and timely information related to the company on an on-going basis to enable them to carry their duties. The Board of Directors 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 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 regulations.

The Board's secretaries are:

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

Information on shares and shareholders

- Total ordinary shares: 175,275,670 shares.
- Total outstanding bonds: none
- Number of outstanding shares: 175,275,670 shares
- Number of preserved shares and treasury shares classified: none

Shareholder structure

	31/12/2008
SCIC	47.64%
Foreign shareholders	44.58%
Local shareholders (excluding SCIC)	7.78%

Changes in ownership rate of internal shareholders

	31/12/2007	Changes during the year	31/12/2008
Board of Management			
1 Mai Kieu Lien			
- Representative of SCIC	23.818%	0.000%	23.818%
- Individuals	0.089%	0.008%	0.097%
2 Ngo Thi Thu Trang	0.041%	0.004%	0.045%
3 Hoang Nguyen Hoc (Representative of SCIC)	23.818%	0.000%	23.818%
4 Dominic Scriven (Representative of Dragon Capital's funds)	9.056%	-0.599%	8.457%
5 Wang Eng Chin (Representative of F&N Dairy Investment)	10.080%	0.000%	10.080%
Inspection Committee			
1 Nguyen Anh Tuan	0.000%	0.000%	0.000%
2 Ngo Thanh Thao	0.000%	0.000%	0.000%
3 Nguyen Thi Tuyet Mai	0.003%	0.000%	0.003%
The Board of Directors			
1 Mai Kieu Lien (as above)			
2 Ngo Thi Thu Trang (as above)			
3 Nguyen Thi Nhu Hang	0.035%	0.003%	0.038%
4 Nguyen Thi Thanh Hoa	0.044%	0.004%	0.048%
5 Tran Minh Van	0.027%	0.003%	0.030%
6 Tran Bao Minh	0.000%	0.003%	0.003%

Changes in ownership of majority shareholders

	31/12/2007	Changes during the year	31/12/2008
SCIC	47.64%	-	47.64%
F&N Dairy Investment	10.08%	-	10.08%

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 used to determine the remunerations to each member of the Board of Management and the Directors.

No member is involved in deciding his own remuneration.

The composition of the Remuneration Committee is as follows:

Mr. Dominic Scriven	Chairman
Mr. Wang Eng Chin	Member

The Remuneration Committee recommends to the Board for endorsement of remuneration for each Board member, Chairwoman and General Director.

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 takes 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 for the Board of Management, the Inspection Committee for the fiscal year ended 31 December 2008 have been approved by the Vinamilk's Annual General Meeting with an amount of USD 200,000.00.

Disclosure of Remuneration

Disclosure of the remuneration of all Directors (Board of Management and Board of Directors) is made annually. This enables investors to understand the relation between remuneration of Directors, key executives and their performance.

Salary level	Salary %	Bonus %	Remunerations %	Total %
Over VND 2.0 billion				
Ms. Mai Kieu Lien (***)	34	59	7	100
Ms. Ngo Thi Thu Trang(*) (**)	35	57	8	100
Mr. Tran Bao Minh (*)	39	61	-	100
Mr. Tran Minh Van (*)	39	61	-	100
Ms. Nguyen Thi Thanh Hoa (*)	39	61	-	100
Ms. Nguyen Thi Nhu Hang (*)	38	62	-	100
From VND 1.0 billion to VND 2.0 billion	-	-	-	
Under VND 1.0 billion				
Mr. Hoang Nguyen Hoc (**)	-	-	100	100
Mr. Dominic Scriven (**)	-	-	100	100
Mr. Wang Eng Chin (**)	-	-	100	100

(*): Deputy General Directors (**): Member of BOM (***): Chairwoman, General Director

C. ACCOUNTABILITY AND AUDIT

Accountability

The Board is accountable to the shareholders while the Management is 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 summarized financial statements of the company is quarterly submitted to Ho Chi Minh City Stock Exchange ("HOSE"). Annual General Meetings are held every year to obtain shareholders' approval on the company business goals.

Inspection Committee

The Inspection Committee is operating 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.

Guideline 11.8 Disclosure of names of members and activities of Inspection Committee

Inspection Committee includes three members and is appointed by the annual general 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.

Ms. Nguyen Thi Tuyet Mai Head of Inspection Committee

Ms. Ngo Thanh Thao Member

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 matter within their responsibilities, has full access to and work with the 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 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.

With the assistance of the Internal Auditors, the Board and the Inspection Committee reviews the effectiveness of the key internal control tools 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 management and Inspection Committee.



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 risk may not cause effects on the business results of the year 2008, 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 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.

As at 31 December 2008, Vinamilk's net borrowings are as follows:

VND Billion	2008	2007
Cash and cash equivalent	339	118
Borrowings	211	42
Net borrowings	-	-

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 2008 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.

Reliance on Key Management Personnel

Although the company is not dependent on any person in the Board of Management or the Board of Directors, the successes of the company depends significantly on the skills, capabilities and efforts of the Board of Management and Board of Directors, 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 Board of Directors will have an 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 remuneration policy to maintain and attract the talents.

Risk of Export Market

The company is currently exporting its products to Iraq, Cambodia and 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 material effect on the company's operation 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 general meeting held on a yearly basis and through Vinamilk's investor relations function.

Apart from the information disclosed in accordance with the requirements of the State Securities Commission, Vinamilk has disclosed its monthly business results, so the shareholders and investors can timely update the information on the operation of the company.

Financial performance 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, securities companies' website, newspapers and securities bulletins.



During the year, Vinamilk has welcomed more than 50 individuals and institutional investors, banks, fund managers to visit us, some of our visitors are:

- Ashmore
- Maple – Brown Abbott
- Crédit Agricole
- Edinburg Partners
- Artisan Partners
- Fidelity Investments Management (Hongkong)
- Tokio Marine Asset Management
- Barings Assets Management
- Janus Capital Group
- Aberdeen Asset Management Asia
- etc.

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

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, fund managers, 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 shareholder's participation at its annual general meetings and gives shareholders the opportunity to communicate their views on the issues affecting Vinamilk.



3 Million Milk Glasses for Poor Children



Following the tradition of acting for community benefits, the company has spent more than VND 17 billion for its charity activities in 2008, in which the “Three Million Glasses of Milk for Poor Children in Vietnam” program has helped the poor children over the country enjoy nutrient-rich and healthy milk they wish.

This is the 6th consecutive year Vinamilk has spent VND 3.1 billion for its traditional scholarship fund “Vinamilk – For young talent” in the school year 2007-2008. The goal of this program is to facilitate and encourage children to become talents to serve the community and society.

Some remarkable activities during the year are as follows:

“Three Million Glasses of Milk for Poor Children in Vietnam” program	VND 10.0 billion
“Vinamilk- For young talent” program	VND 3.1 billion
Activities of supporting the poor and children who are in difficult circumstances	VND 2.8 billion
Activities of aiding victims of hurricane and flood and others	VND 1.6 billion

Additionally, Vinamilk has committed to support life-maintenance for 20 Vietnamese Mothers of Heroes in Ben Tre and Quang Nam provinces since 1997 and now there are 13 Mothers still alive.



Financial statement

- ▶ Corporate information
- ▶ Statement by the Board of Directors
- ▶ Auditor's report
- ▶ Balance sheet
- ▶ Income statement
- ▶ Cash flow statement
- ▶ Notes to the financial statements



Rising to the high sky





PricewaterhouseCoopers (Vietnam) Limited

Floor 4, Building Saigon Tower, 29 Le Duan St., District 1

HCMC, Vietnam

Tel: (84-8) 823 0796

Fax: (84-8) 825 1947

VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY **(VINAMILK)**

English's name: **VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY**
Abbreviation name: **VINAMILK**
Stock code (HoSE): **VNM**
Registered Office: 184-186-188 Nguyen Dinh Chieu St.,
Ward 6, District 3, Ho Chi Minh City.
Tel: (84.8) 3930 0358
Fax: (84.8) 3930 5206
Website: www.vinamilk.com.vn

Registration Certificate: No. 4103001932 dated 20 November 2003 issued by the
Planning and Investment Department of Ho Chi Minh City.

Auditors: PricewaterhouseCoopers (Vietnam) Limited

Board of Management

Ms. Mai Kieu Lien	Chairwoman
Mr. Hoang Nguyen Hoc	Member
Ms. Ngo Thi Thu Trang	Member
Mr. Dominic Scriven	Member
Mr. Wang Eng Chin	Member

Board of Directors

Ms. Mai Kieu Lien	General Director
Ms. Nguyen Thi Thanh Hoa	Deputy General Director
Ms. Nguyen Thi Nhu Hang	Deputy General Director
Ms. Ngo Thi Thu Trang	Deputy General Director
Mr. Tran Minh Van	Deputy General Director
Mr. Tran Bao Minh	Deputy General Director

STATEMENT BY THE BOARD OF DIRECTORS

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

The Board of Directors is responsible for the financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which give a true and fair view of the consolidated and company financial positions as at 31 December 2008 and of the consolidated and company results of operations and cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

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

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

APPROVAL OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated and company financial statements set out on pages 5 to 45 which give a true and fair view of the consolidated and company financial positions as at 31 December 2008 and of the consolidated and company results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.

On behalf of the Board of Directors



Mai Kieu Lien
General Director

Ho Chi Minh City, SR Vietnam 23 March 2009

We have audited the accompanying consolidated and company financial statements of Vietnam Dairy Products Joint Stock Company and its subsidiaries ("the Group") and of Vietnam Dairy Products Joint Stock Company ("the Company"), which comprise the consolidated and company balance sheets as at 31 December 2008, the consolidated and company income statements and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated and Company Financial Statements

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

Auditor's Responsibility

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

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

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

AUDITOR'S REPORT

To the shareholders Of Vietnam Dairy Products Joint Stock Company

Opinion

In our opinion, the consolidated and company financial statements present fairly, in all material respects, the financial positions of the Group and of the Company as at 31 December 2008, and of the consolidated and company financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and prevailing regulations in SR Vietnam.



Quach Thanh Chau
AC No. N.0875/KTV
Authorised signatory

Le Van Hoa
AC No. 0248/KTV

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM2177 23 March 2009

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

BALANCE SHEET
As at 31 December 2008 and 2007

Form B 01 – DN/HN

Code	ASSETS	Note	Consolidated		Company	
			2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
100	CURRENT ASSETS		3,187,605	3,177,727	3,160,210	3,163,757
110	Cash and cash equivalents	3	338,654	117,819	329,545	113,527
111	Cash		132,977	117,519	124,288	113,227
112	Cash equivalents		205,677	300	205,257	300
120	Short-term investments	4(a)	374,002	654,485	374,002	654,485
121	Short-term investments		496,998	654,660	496,998	654,660
129	Provision for diminution in value of short-term investments		(122,996)	(175)	(122,996)	(175)
130	Accounts receivable		646,385	654,720	648,727	661,208
131	Trade accounts receivable		530,149	505,234	530,134	511,772
132	Prepayments to suppliers		75,460	79,847	75,318	79,804
135	Other receivables	5	40,923	70,390	43,408	70,383
139	Provision for doubtful debts		(147)	(751)	(133)	(751)
140	Inventories	6	1,775,342	1,675,164	1,755,360	1,659,390
141	Inventories		1,789,646	1,686,793	1,767,373	1,671,019
149	Provision for decline in value of inventories		(14,304)	(11,629)	(12,013)	(11,629)
150	Other current assets		53,222	75,539	52,576	75,147
151	Short-term prepayments		31,460	14,282	31,118	13,943
152	VAT to be reclaimed		19,196	33,401	19,181	33,401
154	Other taxes receivable		-	23,808	-	23,808
158	Other current assets		2,566	4,048	2,277	3,995

The notes on pages 12 to 45 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2008 and 2007 (continued)

Form B 01 – DN/HN

Code	ASSETS (continued)	Note	Consolidated		Company	
			2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
200	LONG-TERM ASSETS		2,779,354	2,247,390	2,724,886	2,197,287
210	Long-term receivables		475	762	28,606	28,893
218	Other long-term receivables		475	762	28,606	28,893
220	Fixed assets		1,936,923	1,641,669	1,804,745	1,518,899
221	Tangible fixed assets	7(a)	1,529,187	1,022,646	1,413,526	899,877
222	Cost		2,618,638	1,963,835	2,479,273	1,831,384
223	Accumulated depreciation		(1,089,451)	(941,189)	(1,065,747)	(931,507)
227	Intangible fixed assets	7(b)	50,868	20,715	35,017	20,715
228	Cost		79,416	38,771	63,565	38,771
229	Accumulated amortisation		(28,548)	(18,056)	(28,548)	(18,056)
230	Construction in progress	7(c)	356,868	598,308	356,202	598,307
240	Investment properties	8	27,489	-	-	-
241	Cost		27,489	-	-	-
245	Accumulated depreciation		-	-	-	-
250	Long-term investments		570,657	401,018	647,899	445,554
251	Investments in subsidiaries	4(b)	-	-	135,694	99,894
252	Investments in joint ventures and associates	4(c)	23,702	78,189	131,749	117,597
258	Other long-term investments	4(d)	546,955	322,829	495,807	271,681
259	Provision for diminution in value of long-term investments		-	-	(115,351)	(43,618)
260	Other long-term assets		243,810	203,941	243,636	203,941
261	Long-term prepayments	9	195,512	195,613	195,338	195,613
262	Deferred income tax assets	15	47,276	8,017	47,276	8,017
268	Other long-term assets		1,022	311	1,022	311
270	TOTAL ASSETS		5,966,959	5,425,117	5,885,096	5,361,044

The notes on pages 12 to 45 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2008 and 2007 (continued)

Form B 01 – DN/HN

Code	RESOURCES	Note	Consolidated		Company	
			2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
300	LIABILITIES		1,154,432	1,073,230	1,121,759	1,045,107
310	Current liabilities		972,502	933,357	939,887	905,234
311	Short-term borrowings		188,222	9,963	188,222	9,963
312	Trade accounts payable		492,556	621,376	491,912	617,302
313	Advances from customers		5,917	5,717	5,915	5,708
314	Taxes and other payables to the State Budget	11	64,187	35,331	64,153	35,228
315	Payable to employees		3,104	426	3,044	52
316	Accrued expenses	12	144,052	132,466	143,655	131,473
319	Other payables	13	74,464	128,078	42,986	105,508
330	Long-term liabilities		181,930	139,873	181,872	139,873
331	Long-term trade payables		93,612	81,002	93,612	81,002
333	Other long-term payables	14	30,000	-	30,000	-
334	Long-term borrowings	10	22,418	32,381	22,418	32,381
336	Provision for severance allowances		35,900	26,490	35,842	26,490
400	OWNERS' EQUITY		4,761,913	4,315,937	4,763,337	4,315,937
410	Capital and reserves		4,665,715	4,224,315	4,667,139	4,224,315
411	Owners' capital	17	1,752,757	1,752,757	1,752,757	1,752,757
412	Share premium	17	1,064,948	1,064,948	1,064,948	1,064,948
417	Investment and development fund	17	869,697	744,540	869,697	744,540
418	Financial reserve fund	17	175,276	136,313	175,276	136,313
420	Undistributed earnings	17	803,037	525,757	804,461	525,757
430	Budget sources and other funds		96,198	91,622	96,198	91,622
431	Bonus and welfare fund	17	96,198	91,622	96,198	91,622
500	Minority interests	2.4	50,614	35,950	-	-
440	TOTAL RESOURCES		5,966,959	5,425,117	5,885,096	5,361,044

The notes on pages 12 to 45 are an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2008 and 2007 (continued)

Form B 01 – DN/HN

	Consolidated		Company	
	2008	2007	2008	2007
Goods held under trust or for processing (Million VND)	236	4,851	236	4,581
Bad debts written-off (Million VND)	967	18,508	967	18,508
Foreign currencies:				
US\$	1,896,238	315,236	1,896,238	315,236
EUR	3,843	33,257	3,843	33,257



Le Thanh Liem
Chief Accountant



Mai Kieu Lien
General Director
23 March 2009

The notes on pages 12 to 45 are an integral part of these financial statements.

INCOME STATEMENT
As at 31 December 2008 and 2007 (continued)

Form B 02 – DN/HN

Code	Note	Consolidated		Company	
		2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
01 Sales		8,380,563	6,675,244	8,407,174	6,676,264
02 Less deductions		(171,581)	(137,280)	(171,581)	(137,280)
10 Net sales	20(a)	8,208,982	6,537,964	8,235,593	6,538,984
11 Cost of sales	21	(5,610,969)	(4,836,283)	(5,640,664)	(4,837,262)
20 Gross profit		2,598,013	1,701,681	2,594,929	1,701,722
21 Financial income	20(b)	264,810	257,865	263,801	257,669
22 Financial expenses	22	(197,621)	(25,862)	(273,205)	(60,606)
24 Selling expenses	23	(1,052,308)	(864,363)	(1,052,303)	(863,788)
25 General and administration expenses	24	(297,804)	(204,192)	(290,905)	(201,339)
30 Operating profit		1,315,090	865,129	1,242,317	833,658
40 Net other income	25	130,173	120,790	131,852	121,773
50 Share of loss of joint ventures		(73,950)	(30,538)	-	-
60 Net accounting profit before tax		1,371,313	955,381	1,374,169	955,431
61 Business income tax - current	26(b)	(161,874)	-	(161,874)	-
62 Business income tax - deferred	26(b)	39,259	8,017	39,259	8,017
63 Minority interests	2,4	1,422	50	-	-
70 Net profit after tax		1,250,120	963,448	1,251,554	963,448
		VND	VND	VND	VND
80 Earnings per share	19	7,132	5,607	7,140	5,607



Le Thanh Liem
Chief Accountant



Mai Kieu Lien
General Director
23 March 2009

The notes on pages 12 to 45 are an integral part of these financial statements.

CASH FLOW STATEMENT
As at 31 December 2008 and 2007 (Indirect method) (continued)

Form B 03 – DN/HN

Code	Note	Consolidated		Company	
		2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
CASH FLOWS FROM OPERATING ACTIVITIES					
01	Net profit before tax	1,371,313	955,381	1,374,169	955,431
	Adjustments for:				
02	Depreciation and amortisation	178,430	130,772	163,647	120,918
03	Provisions	124,892	42,696	194,320	46,907
04	Unrealised foreign exchange gains	(5,704)	(17)	(5,704)	(17)
05	Profits from investing activities	(26,175)	(101,361)	(93,254)	(102,144)
06	Interest expense	26,971	11,667	25,512	11,667
08	Operating profit before changes in working capital	1,669,727	1,039,138	1,658,690	1,032,762
09	Decrease /(increase) in receivables	13,354	(216,909)	17,752	(216,777)
10	Increase in inventories	(112,069)	(725,346)	(98,480)	(714,964)
11	(Decrease)/increase in payables	(105,919)	411,751	(110,899)	377,195
12	Increase in prepaid expenses	(17,077)	(69,830)	(16,900)	(69,588)
13	Interest paid	(25,957)	(50,571)	(24,498)	(50,571)
14	Business income tax paid	(101,861)	-	(101,861)	-
15	Other receipts from operating activities	53,507	78,502	53,508	81,924
16	Other payments on operating activities	(103,946)	(153,257)	(103,947)	(153,194)
20	Net cash inflows from operating activities	1,269,759	313,478	1,273,365	286,787
CASH FLOWS FROM INVESTING ACTIVITIES					
21	Purchases of fixed assets	(445,062)	(743,965)	(412,995)	(662,142)
22	Proceeds from disposals of fixed assets	4,217	2,305	544	1,364
23	Purchases of equity securities	-	(487,475)	-	(435,877)
24	Proceeds from sales of equity securities and bonds	3,010	77,964	3,010	77,964
25	Loan granted to joint venture/subsidiary	-	(80,926)	-	(109,057)
26	Movement in deposits at banks	(50,191)	115,443	(50,191)	114,993
27	Investments in other entities	(134,152)	(4,650)	(169,952)	(50,150)
28	Capital contribution from minority shareholders of subsidiaries	20	-	-	-
29	Dividends received	90,373	105,326	89,376	105,326
30	Net cash outflows from investing activities	(531,785)	(1,015,978)	(540,208)	(957,579)

The notes on pages 12 to 45 are an integral part of these financial statements.

CASH FLOW STATEMENT
As at 31 December 2008 and 2007 (Indirect method) (continued)

Form B 03 – DN/HN

Code	Note	Consolidated		Company	
		2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
CASH FLOWS FROM FINANCING ACTIVITIES					
31	Proceeds from issuance of shares	-	1,219,477	-	1,183,477
33	Proceeds from borrowings	173,547	360,000	173,547	360,000
34	Repayments of borrowings	(9,963)	(377,883)	(9,963)	(377,883)
36	Dividends paid	(680,733)	(538,181)	(680,733)	(538,181)
40	Net cash (outflows)/inflows from financing activities	(517,149)	663,413	(517,149)	627,413
50	Net increase/(decrease) in cash and cash equivalents	220,825	(39,087)	216,008	(43,379)
60	Cash and cash equivalents at beginning of year	3	117,819	113,527	156,895
61	Foreign exchange gains on cash and cash equivalents		10	10	11
70	Cash and cash equivalents at end of year	3	338,654	329,545	113,527



Le Thanh Liem
Chief Accountant



Mai Kieu Lien
General Director
23 March 2009

The notes on pages 12 to 45 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

As at 31 December 2008, the Company has 4 subsidiaries:

Subsidiaries	Principal activities	Equity held 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 – VN Property Joint Stock Company (*)	Real estate trading	64.25%

(*) Victory - VN Property Joint Stock Company is a 64.25% owned subsidiary of International Real Estate One Member Limited Company, which is a wholly owned subsidiary of the Company.

The principal activities of the Company and its subsidiaries are:

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

As at 31 December 2008, the total number of employees of the Company and the Group are 4,275 and 4,532 respectively (2007: 3,868 and 4,106 respectively).

2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated and company financial statements

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

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

2.2 Use of estimates

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

2.3 Fiscal year

The fiscal year of the Company and its subsidiaries is from 1 January to 31 December.

2.4 Consolidation

In 2008, the Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

Subsidiaries

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

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

2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.4 Consolidation (continued)

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

Transactions and minority interests

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

Joint ventures and associates

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

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

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

2.5 Currency

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

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

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

2.6 Form of records applied

The Company and its subsidiaries use voucher ledgers to record their transactions.

2.7 Cash and cash equivalents

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

2.8 Share capital and treasury shares

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

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

2.9 Trade receivables

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

2.10 Inventories

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

2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.11 Investments

(a) Short-term investments

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

(b) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less provision for diminution in value in the parent entity financial statements.

(c) Investments in joint ventures and associates

Investments in joint ventures and associates are accounted for at cost less provision for diminution in value in the parent entity financial statements, and under the equity method of accounting in the consolidated financial statements.

(d) Long-term investments

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

2.12 Fixed assets

Tangible and intangible fixed assets

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

Depreciation

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

	Years
Buildings and structures	10 - 50
Machinery and equipment	10
Livestock	6
Motor vehicles	10
Office equipment	3 - 8
Software	2 - 3

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

Subsequent expenditure

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

Disposals

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

2.13 Leased assets

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

2.14 Investment properties

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

2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.14 Investment properties (continued)

Depreciation

Investment properties are depreciated on the straight-line method to write off the cost of the assets over their estimated useful lives. Investment properties being land use rights with indefinite term are carried at cost and not amortised.

Disposals

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

2.15 Borrowing costs

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

2.16 Revenue recognition

(a) Sales of goods

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

(b) Processing services

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

(c) Sales of services

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

(d) Interest income

Interest income is recognised on an earned basis.

(e) Dividend income

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

2.17 Deferred income tax

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

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

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

2.18 Dividend distribution

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

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

2.19 Method of reserve appropriation

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

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

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

2.20 Related parties

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

2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (continued)

2.20 Related parties (continued)

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

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

2.21 Provisions

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

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

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

2.22 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. A provision for severance allowances is made for the estimated liability for employment termination as a result of services rendered by employees up to the balance sheet date. The provision is calculated on the basis of a half-month's salary for each employee for each year of service with the Group, based on salary levels at the balance sheet date.

3. CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Cash on hand	648	1,065	544	1,050
Cash at bank	130,544	109,560	121,959	105,283
Cash in transit	1,785	6,894	1,785	6,894
Cash equivalents	205,677	300	205,257	300
	338,654	117,819	329,545	113,527

4. INVESTMENTS

(a) Short-term investments

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Short-term deposits	106,396	5,400	106,396	5,400
Investments in equity securities (i)	180,229	436,453	180,229	436,453
Bonds	2,405	15,410	2,405	15,410
Loans to a joint venture (ii)	207,968	197,397	207,968	197,397
Provision for diminution in value of short-term investments (iii)	(122,996)	(175)	(122,996)	(175)
	374,002	654,485	374,002	654,485

- (i). Investments in equity securities comprise shares of listed and unlisted companies and investment funds.

4. INVESTMENTS (continued)

(a) Short-term investments (continued)

Movements in short-term investments in equity securities:

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Beginning of year	436,453	191,959	436,453	191,959
Purchases	1,460	319,985	1,460	319,985
Share dividends	5,205	1,075	5,205	1,075
Convertible bond	2,400	-	2,400	-
Reclassification to long-term investment	(154,846)	-	(154,846)	-
Disposal	(110,443)	(76,566)	(110,443)	(76,566)
End of year	180,229	436,453	180,229	436,453

- (ii). The interest free loan of US\$12,25 million (equivalent to VND207,968 million), which was provided to SABMiller Vietnam Joint Venture Company ("SABMiller"), was extended for a further 12 months until 21 December 2009.
- (iii). (iii) Provision for diminution in value of short-term investments is made to reflect the fall in market prices of the related shares as at the balance sheet date.

(b) Investments in subsidiaries – Company only

	Cost of investment recorded in parent entity		Equity held by parent entity	
	2008 Million VND	2007 Million VND	2008 %	2007 %
Vietnam Dairy Cow One Member Limited Company	60,894	55,894	100	100
Lam Son Dairy Products Joint Stock Company	44,000	44,000	55	55
International Real Estate One Member Limited Company	30,800	-	100	100
	135,694	99,894		
Provision for diminution in value of investments in subsidiaries	(7,303)	(4,210)		
	128,391	95,684		

(c) Investments in joint ventures and associates

	Consolidated	
	2008 Million VND	2007 Million VND
Beginning of year	78,189	122,701
Additions in investments	14,152	4,650
Shares of losses of joint ventures	(68,639)	(30,538)
Disposal of interest in a joint venture	-	(18,624)
End of year	23,702	78,189

The joint ventures and associate, all of which are unlisted, are as follows:

		Consolidated		Company	
		2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
SABMiller Vietnam Joint Venture Company	(i)	-	68,639	108,047	108,047
Horizon Apartment – Business Cooperation Contract	(ii)	7,493	7,493	7,493	7,493
Dairy Cow Development Project	(iii)	7,209	2,057	7,209	2,057
Asia Saigon Food Ingredients Joint Stock Company	(iv)	9,000	-	9,000	-
		23,702	78,189	131,749	117,597
Provision for diminution in value of investments in joint ventures and associates		-	-	(108,047)	(39,408)
		23,702	78,189	23,702	78,189

(i). SABMiller Vietnam Joint Venture Company (“SABMiller”)

The Company has a 50% interest in SABMiller, which produces beer products. SABMiller has registered legal capital of US\$13,5 million. As at 31 December 2008, the Company has invested US\$6,75 million (equivalent to VND108,047 million as translated at exchange rates ruling at the dates of capital contributions). Subsequent to the year end, the Company has signed a capital assignment with the other joint venture party to dispose its interest in this joint venture (see Note 33).

4. INVESTMENTS (continued)

(c) Investments in joint ventures and associates (continued)

(ii). Horizon Apartment – Business Cooperation Contract

On 7 June 2004, the Company entered into a Business Cooperation Contract with FICO Real Estate Company and Real Estate Finance Joint-Stock Company for the construction, management, marketing and operation of the Horizon Apartment Project with an estimated investment capital of VND285,000 million. The Company has a 24.5% financial interest in this project.

(iii). Dairy Cow Development Project

On 1 January 2006, the Company entered into a joint venture to develop a project named Dairy Cow Development Project (“the Project”). The Project has a total budget of EUR1,500,000, half of which is contributed by the Netherlands Embassy and half of which is equally contributed by the Company and Campina International BV. As at 31 December 2008, the Company fully contributed its share to this Project, being an amount of EUR375,000 (equivalent to VND7,209 million as translated at exchange rates ruling at the dates of capital contributions).

(iv). Asia Saigon Food Ingredients Joint Stock Company

The Company holds 20% of the total shares in and is one of the founding shareholders of Asia Saigon Food Ingredients Joint Stock Company which has a charter capital of VND45 billion. As at 31 December 2008, this company is in the construction stage.

(d) Other long-term investments

		Consolidated		Company	
		2008	2007	2008	2007
		Million VND	Million VND	Million VND	Million VND
Long-term bank deposits	(i)	-	50,000	-	50,000
Bonds		3,240	5,645	3,240	5,645
Other long-term investments	(ii)	543,715	267,184	492,567	216,036
		546,955	322,829	495,807	271,681

- (i). Long-term bank deposits represent bank deposits with original maturity of over three months and maturing after one year from the balance sheet date.

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

Movements in other long-term investments:

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Beginning of year	267,184	110,150	216,036	110,150
Purchases (*)	120,000	157,034	120,000	105,886
Share dividends	1,685	-	1,685	-
Reclassification from short-term investments	154,846	-	154,846	-
End of year	543,715	267,184	492,567	216,036

(*) In 2008, the Company invested in a local bank which has received the business licence but not yet started its operations as at 31 December 2008.

5. OTHER RECEIVABLES

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Advance for the purchase of the Company's shares	-	24,322	-	24,322
Receivable from disposal of an interest in a joint venture	-	18,624	-	18,624
Loan to a subsidiary (*)	-	-	2,500	-
Interest income	20,403	8,577	20,391	8,577
Other receivables	20,520	18,867	20,517	18,860
	40,923	70,390	43,408	70,383

(*) Loan to Lamson Dairy Products Joint Stock Company, one of the Company's subsidiaries, is interest free and repayable within 12 months from 10 January 2008. The loan was not repaid by the due date and was rolled over for another 12 months.

6. INVENTORIES

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Goods in transit	219,523	357,960	219,323	357,960
Raw materials	1,231,151	1,013,210	1,220,193	1,006,596
Tools	5,757	1,838	5,370	1,411
Merchandise	10,710	7,967	10,710	7,967
Work-in-progress	104,992	86,823	95,902	80,275
Finished goods	217,382	218,659	215,875	216,810
Goods on consignment	131	336	-	-
Provision for decline in value of inventories	(14,304)	(11,629)	(12,013)	(11,629)
	1,775,342	1,675,164	1,755,360	1,659,390

Included in consolidated work-in-progress as at 31 December 2008 are livestock development costs of VND9,091 million (2007: VND2,311 million), which are captured until the livestock reach maturity and then transferred to tangible fixed assets.

During the year, the Group transferred all livestock with a total amount of VND7,090 million to tangible fixed assets (See Note 7(a)).

7. FIXED ASSETS

(a) Tangible fixed assets

Consolidated	Buildings and structures	Machinery and equipment	Livestock	Motor vehicles	Office equipment	Total
	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND
Historical cost						
At 1 January 2008	345,319	1,368,470	17,147	159,357	73,542	1,963,835
New purchases	630	22,693	415	44,122	13,263	81,123
Transfers in (Note 7(c))	159,485	374,312	-	52,436	3,108	589,341
Transfers in (Note 6)	-	-	7,090	-	-	7,090
Reclassifications	63	(366)	-	156	147	-
Disposals	(340)	(17,716)	(3,206)	(968)	(521)	(22,751)
At 31 December 2008	505,157	1,747,393	21,446	255,103	89,539	2,618,638

Consolidated	Buildings and structures	Machinery and equipment	Livestock	Motor vehicles	Office equipment	Total
	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND
Accumulated depreciation						
At 1 January 2008	129,682	685,007	2,555	80,107	43,838	941,189
Charge for the year	19,990	114,040	3,629	14,252	16,027	167,938
Reclassifications	(10,768)	10,764	-	5	(1)	-
Disposals	(40)	(17,578)	(708)	(868)	(482)	(19,676)
At 31 December 2008	138,864	792,233	5,476	93,496	59,382	1,089,451
Net book value						
At 1 January 2008	215,637	683,463	14,592	79,250	29,704	1,022,646
At 31 December 2008	366,293	955,160	15,970	161,607	30,157	1,529,187

Company	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
	Million VND	Million VND	Million VND	Million VND	Million VND
Historical cost					
At 1 January 2008	297,120	1,308,531	152,923	72,810	1,831,384
New purchases	402	22,088	43,582	13,047	79,119
Transfers in (Note 7(c))	158,040	374,312	52,402	3,108	587,862
Reclassifications	89	(89)	-	-	-
Disposals	-	(17,716)	(855)	(521)	(19,092)
At 31 December 2008	455,651	1,687,126	248,052	88,444	2,479,273
Accumulated depreciation					
At 1 January 2008	126,550	681,598	79,606	43,753	931,507
Charge for the year	16,182	107,655	13,473	15,845	153,155
Reclassifications	(10,766)	10,767	-	(1)	-
Disposals	-	(17,578)	(855)	(482)	(18,915)
At 31 December 2008	131,966	782,442	92,224	59,115	1,065,747
Net book value					
At 1 January 2008	170,570	626,933	73,317	29,057	899,877
At 31 December 2008	323,685	904,684	155,828	29,329	1,413,526

7. FIXED ASSETS (continued)

(a) Tangible fixed assets (continued)

As at 31 December 2008, fixed assets with a carrying value of VND77,554 million (2007: VND86,722 million) have been pledged as security for long-term borrowings granted to the Company (Note 10).

Historical costs of fully depreciated fixed assets as at 31 December 2008 were VND592,834 million (2007: VND592,159 million).

(b) Intangible fixed assets

Consolidated	Land use rights Million VND	Software Million VND	Total Million VND
Historical cost			
At 1 January 2008	19,900	18,871	38,771
New purchases	-	8,353	8,353
Transfers in (Note 7(c))	-	16,441	16,441
Other increase (*)	15,851	-	15,851
At 31 December 2008	35,751	43,665	79,416
Accumulated amortisation			
At 1 January 2008	11,608	6,448	18,056
Charge for the year	-	10,492	10,492
At 31 December 2008	11,608	16,940	28,548
Net book value			
At 1 January 2008	8,292	12,423	20,715
At 31 December 2008	24,143	26,725	50,868

(*) Other increase represents land use rights contributed by minority shareholders of Victory – VN Property Joint Stock Company.

Company	Land use rights Million VND	Software Million VND	Total Million VND
Historical cost			
At 1 January 2008	19,900	18,871	38,771
New purchases	-	8,353	8,353
Transfers in (Note 7(c))	-	16,441	16,441
At 31 December 2008	19,900	43,665	63,565
Accumulated amortisation			
At 1 January 2008	11,608	6,448	18,056
Charge for the year	-	10,492	10,492

Company	Land use rights Million VND	Software Million VND	Total Million VND
At 31 December 2008	11,608	16,940	28,548
Net book value			
At 1 January 2008	8,292	12,423	20,715
At 31 December 2008	8,292	26,725	35,017

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 land use rights granted for indefinite term are carried at cost and not amortised.

(c) Construction in progress

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Beginning of year	598,308	316,178	598,307	316,178
Additions	364,411	650,983	362,198	650,982
Transferred to tangible fixed assets	(589,341)	(291,777)	(587,862)	(240,668)
Transferred to intangible fixed assets	(16,441)	(10,634)	(16,441)	(10,634)
Transferred to investment in subsidiaries	-	-	-	(51,109)
Transferred to inventory	(15)	(2,908)	-	(2,908)
Disposals	(54)	(57,182)	-	(57,182)
Write-offs	-	(6,352)	-	(6,352)
End of year	356,868	598,308	356,202	598,307

As at 31 December 2008, included in construction in progress are the following major projects:

- (i). A coffee production line – VND 162,226 million;
- (i). A3 Speed machine for Saigon Milk Factory – VND 49,586 million;
- (i). Office building for Can Tho Branch – VND 36,670 million;
- (i). Cow Farm at Nghe An Province – VND 23,259 million; and
- (i). Equipments for Cow Farm in Nghe An Province – VND 17,492 million.

8. INVESTMENT PROPERTIES

	Land use rights Million VND
Historical cost	
At 1 January 2008	-
Additions	27,489
At 31 December 2008	27,489
Accumulated depreciation	
At 1 January 2008	-
Amortisation	-
At 31 December 2008	-
Net book value	
At 1 January 2008	-
At 31 December 2008	27,489

9. LONG-TERM PREPAYMENTS

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Beginning of year	195,613	117,296	195,613	117,296
Additions	7,933	81,594	7,744	81,594
	203,546	198,890	203,357	198,890
Less: Current portion	(8,034)	(3,277)	(8,019)	(3,277)
End of year	195,512	195,613	195,338	195,613

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

10. LONG-TERM BORROWINGS

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Syndicated loans	32,381	42,344	32,381	42,344
Less: Current portion	(9,963)	(9,963)	(9,963)	(9,963)
	22,418	32,381	22,418	32,381

The syndicated long-term loan 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 repayable in quarterly installments within 5 years, commencing on 1 April 2007. The loan bears interest at the average interest rate of 12 month time deposits plus 2.4% per annum. Insurance contracts for the assets purchased using this loan during the construction phase are used as security for the loan until the completion of the construction; thereafter the fixed assets themselves will be used as security for the loan.

11. TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
VAT on domestic sales	6,781	4,350	6,750	4,247
VAT on importation	6,087	17,299	6,087	17,299
Import – Export duties	2,341	9,606	2,341	9,606
Business income tax - current	35,527	-	35,527	-
Personal income tax	13,180	3,876	13,177	3,876
Other taxes	271	200	271	200
	64,187	35,331	64,153	35,228

12. ACCRUED EXPENSES

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Sales bonus for distributors	106,701	86,309	106,701	86,309
Advertising expenses	21,471	28,292	21,471	28,292
Transportation expenses	5,139	6,206	5,139	6,206
Repairs and maintenance expenses	1,531	3,436	1,531	3,436
Others	9,210	8,223	8,813	7,230
	144,052	132,466	143,655	131,473

13. OTHER PAYABLES

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Payable to the State	515	24,205	478	24,205
Deposits received from customers	6,248	10,390	6,048	9,890
Import duty payables	15,906	4,846	15,906	4,846
Loan payable to minority shareholders of a subsidiary	31,235	-	-	-
Other payables (*)	20,560	88,637	20,554	66,567
	74,464	128,078	42,986	105,508

(*) Included in the balance as at 31 December 2007 was an amount of VND60,786 million received from a third party for a sale of shares. The transfer procedures related to those shares have been completed in this year.

14. OTHER LONG TERM PAYABLES

Other long term payable represents an advance payment received from a third party in respect of the future transfer of an investment; the transfer procedures can only be completed upon approval by the investee entity.

15. DEFERRED INCOME TAX

Deferred income tax asset:

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Beginning of year	8,017	-	8,017	-
Income statement credit	39,259	8,017	39,259	8,017
End of year	47,276	8,017	47,276	8,017

Deferred income tax asset arises from accruals and provisions and is to be recovered within 12 months.

16. STRUCTURE OF SHAREHOLDING

The following are the details of the Company's shareholding structure:

	State		Local investors		Foreign investors		Total
	Number of shares (thousand)	Share-holding %	Number of shares (thousand)	Share-holding %	Number of shares (thousand)	Share-holding %	Number of shares (thousand)
At 1 January 2007	79,520	50,01	16,736	10,53	62,744	39,46	159,000
Net movement in the year	3,911	(2,41)	(3,117)	(2,76)	15,481	5,17	16,275
At 31 December 2007	83,431	47,60	13,619	7,77	78,225	44,63	175,275
Net movement in the year	-	-	88	0,05	(88)	(0,05)	-
At 31 December 2008	83,431	47,60	13,707	7,82	78,137	44,58	175,275

Nominal value per share is VND10,000.

Included in total shares held by local investors as at January 2008 were 1,425,500 shares that the Company purchased from the State upon equitisation. As at 31 December 2008, these shares have been completely sold to the employees. Dividends relating to the period prior to the distribution of these shares have been credited to the bonus and welfare fund (see Note 17 and 18).

17. MOVEMENTS IN OWNERS' EQUITY

Consolidated	Paid-in capital	Share premium	Investment and development fund	Financial reserve fund	Bonus and welfare fund	Undistributed earnings	Total
	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND
As at 1 January 2007	1,590,000	54,217	580,103	88,141	54,684	371,238	2,738,383
Capital increase during the year	162,757	1,010,731	-	-	-	-	1,173,488
Profit for the year	-	-	-	-	-	963,448	963,448
Appropriations to reserves	-	-	164,437	48,172	96,345	(308,954)	-
Dividends declared	-	-	-	-	-	(499,975)	(499,975)
Other increase	-	-	-	-	1,364	-	1,364
Bonus paid to employees	-	-	-	-	(60,771)	-	(60,771)
As at 31 December 2007	1,752,757	1,064,948	744,540	136,313	91,622	525,757	4,315,937
Profit for the year	-	-	-	-	-	1,250,120	1,250,120
Appropriations to reserves	-	-	125,157	38,963	125,155	(289,275)	-
Dividends declared	-	-	-	-	2,842	(683,575)	(680,733)
Bonus paid to employees	-	-	-	-	(123,421)	10	(123,411)
As at 31 December 2008	1,752,757	1,064,948	869,697	175,276	96,198	803,037	4,761,913

17. MOVEMENTS IN OWNERS' EQUITY (continued)

Company	Paid-in capital	Share premium	Investment and development fund	Financial reserve fund	Bonus and welfare fund	Undistributed earnings	Total
	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND	Million VND
As at 1 January 2007	1,590,000	54,217	580,103	88,141	54,684	371,238	2,738,383
Capital increase during the year	162,757	1,010,731	-	-	-	-	1,173,488
Profit for the year	-	-	-	-	-	963,448	963,448
Appropriations to reserves	-	-	164,437	48,172	96,345	(308,954)	-
Dividends declared	-	-	-	-	-	(499,975)	(499,975)
Other increase	-	-	-	-	1,364	-	1,364
Bonus paid to employees	-	-	-	-	(60,771)	-	(60,771)
As at 31 December 2007	1,752,757	1,064,948	744,540	136,313	91,622	525,757	4,315,937
Profit for the year	-	-	-	-	-	1,251,554	1,251,554
Appropriations to reserves	-	-	125,157	38,963	125,155	(289,275)	-
Dividends declared	-	-	-	-	2,842	(683,575)	(680,733)
Bonus paid to employees	-	-	-	-	(123,421)	-	(123,421)
As at 31 December 2008	1,752,757	1,064,948	869,697	175,276	96,198	804,461	4,763,337

18. DIVIDENDS

During 2008, the Company paid final dividends of the year ended 31 December 2007 and interim dividends of the year ended 31 December 2008 amounting to VND175,275 million (VND1,000 per share) and VND508,300 million (VND2,900 per share), respectively. Of the 2008 interim dividends VND2,842 million relate to dividends of the shares that the Company purchased upon equitisation on behalf of employees (Note 16).

Final dividends in respect of the year ended 31 December 2008 are to be proposed at the Company's Annual General Meeting in 2009.

19. EARNINGS PER SHARE

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

	Consolidated		Company	
	2008	2007	2008	2007
Net profit attributable to shareholders (Million VND)	1,250,120	963,448	1,251,554	963,448
Weighted average number of ordinary shares in issue (in thousands)	175,275	171,838	175,275	171,838
Basic earnings per share (VND)	7,132	5,607	7,140	5,607

20. REVENUE

(a) Net sales

	Consolidated		Company	
	2008	2007	2008	2007
Sales				
Sales of goods	8,265,816	6,486,555	8,292,427	6,481,799
Sales of merchandise and materials	103,657	173,315	103,657	180,696
Sales of services	11,090	15,374	11,090	13,769
	8,380,563	6,675,244	8,407,174	6,676,264
Sales deductions				
Trade discounts	(141,199)	(132,121)	(141,199)	(132,121)
Sales returns	(30,382)	(5,159)	(30,382)	(5,159)
	(171,581)	(137,280)	(171,581)	(137,280)
	8,208,982	6,537,964	8,235,593	6,538,984

(b) Financial income

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Interest income from deposits	60,270	86,251	59,261	86,055
Gains from sales of equity securities	119,553	150,901	119,553	150,901
Interest income from bonds	3,593	1,398	3,593	1,398
Dividend income	29,890	9,650	29,890	9,650
Foreign exchange gains	46,050	8,838	46,050	8,838
Other income from financing activities	5,454	827	5,454	827
	264,810	257,865	263,801	257,669

21. COST OF SALES

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Cost of finished goods sold	5,502,594	4,738,573	5,535,235	4,732,257
Cost of merchandise sold	88,489	89,981	88,489	97,425
Cost of services provided	1,445	6,397	1,445	6,397
Expenses in excess of normal value	15,792	4,244	15,111	4,095
Movement in provision for inventories	2,649	(2,912)	384	(2,912)
	5,610,969	4,836,283	5,640,664	4,837,262

22. FINANCIAL EXPENSES

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Interest expense	26,971	11,667	25,512	11,667
Foreign exchange losses	47,314	14,747	47,314	14,759
Loss from sales of equity securities	516	690	516	690
Movement in provision for investments	122,820	(1,524)	199,863	33,224
Other financial expenses	-	282	-	266
	197,621	25,862	273,205	60,606

23. SELLING EXPENSES

The following items have been included in selling expenses:

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Staff costs	95,978	56,442	95,978	56,360
Tools and supplies	18,664	20,805	18,664	20,768
Transportation expenses	53,735	46,022	53,735	46,022
Advertising expenses	353,746	267,923	353,746	267,923
Promotion and commission	438,331	519,658	438,331	519,658

24. GENERAL AND ADMINISTRATION EXPENSES

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

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Depreciation and amortisation	31,173	26,041	30,251	25,340
Staff costs	82,074	58,812	80,127	58,029
Tools and supplies	10,919	4,963	10,790	4,844
Rental expenses	14,322	11,729	14,322	11,654
Doubtful debt charge in the year	349	16,594	349	16,594
Professional fee	27,148	1,891	26,698	1,696
Repair and maintenance	14,690	6,156	14,690	6,156

25. NET OTHER INCOME

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Other income				
Proceeds from sale of scraps	50,030	54,022	51,763	54,022
Rebate income from suppliers	73,558	43,230	73,558	43,230
Proceeds from sale/disposal of fixed assets	4,265	69,254	592	68,489
Reversal of prior year accruals	1,101	13,637	1,101	13,637
Sundry income	7,948	17,347	7,756	17,190
	136,902	197,490	134,770	196,568
Other expenses				
Net book value of fixed assets sold/disposed	(3,300)	(73,515)	(178)	(71,857)
Sundry expenses	(3,429)	(3,185)	(2,740)	(2,938)
	(6,729)	(76,700)	(2,918)	(74,795)
Net other income	130,173	120,790	131,852	121,773

26. TAXATION

(a) Contingent liability in relation to business income tax for the years 2006 and 2007

In the financial years ended 31 December 2006 and 2007, the Company declared that it was fully exempted from business income tax ("BIT") on the basis that it combined the two tax incentives: (1) a full exemption from BIT for the two years ended 31 December 2004 and 2005 plus a 50% reduction of BIT 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 BIT 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.

26. TAXATION (continued)

(a) Contingent liability in relation to business income tax for the years 2006 and 2007 (continued)

In 2008, the following information was received by management:

- 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 the HCMC 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 the BIT amounts relating to 2006 and 2007 to the State budget.
- On 13 November 2008, the Prime Minister's Office issued a Letter No. 318/TB-VPCP in which it confirmed that companies are entitled to a 50% reduction in the BIT for two years right after their shares are listed in the stock exchange in the period from 2004 to 2006. Official Letter No. 318/TB-VPCP is however silent as to whether the tax incentives under 2 regimes could be combined.

Subsequent to the year-end, 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 the HCMC TD to inform the HCMC TD that the Ministry of Finance had sent an official letter to the Prime Minister seeking for instructions to resolve the issue of BIT exemption and BIT reduction for companies which had their first listing. The General Department of Taxation requested the HCMC TD not to assess or temporarily collect the BIT from the listed companies pending the decision from the Prime Minister.

Based on the above information, and in accordance with Vietnamese Accounting Standard No. 18 – Provisions, Contingent Assets and Liabilities, management is of the view that there is significant uncertainty about the final outcome of the matter and therefore no provision for BIT for the years 2006 and 2007 amounting to VND225,803 million has been made in the consolidated and company financial statements.

(b) Business income tax for the year ended 31 December 2008

The Group is required to pay business income tax ("BIT") at rates ranging from 15% to 28%, depending on locations of the factories, on taxable profits. For the year ended 31 December 2008, the Company was entitled to 50% reduction of the BIT rate as incentives given upon the Company's equitisation.

(i). Current BIT expenses

	Consolidated		Company	
	2008	2007	2008	2007
	Million VND	Million VND	Million VND	Million VND
BIT expense calculated on taxable income of the current year	161,874	-	161,874	-

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

(ii). Deferred BIT charge/(credit)

	Consolidated		Company	
	2008	2007	2008	2007
	Million VND	Million VND	Million VND	Million VND
Deferred income tax charge arising from non-deductible temporary differences	884	137	884	137
Deferred income tax charge arising from reversal of deferred income tax assets	8,154	-	8,154	-
Deferred income tax credit arising from deductible temporary differences	(48,160)	(8,154)	(48,160)	(8,154)
Deferred income tax credit arising from reversal of deferred income tax liabilities	(137)	-	(137)	-
Deferred income tax credit - net	(39,259)	(8,017)	(39,259)	(8,017)

27. RELATED PARTY TRANSACTIONS

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 47.6% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

(a) Transactions and balances with SCIC

	Consolidated		Company	
	2008	2007	2008	2007
	Million VND	Million VND	Million VND	Million VND
Transactions				
Payment of dividends	325,831	238,162	325,831	238,162

27. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with SABMiller - a joint venture

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Transactions				
Sales of assets to SABMiller	-	57,182	-	57,182
Loan granted to SABMiller (Note 4(a)(ii))	-	80,926	-	80,926

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Balances				
Loan granted to SABMiller (Note 4(a)(ii))	207,968	197,397	207,968	197,397

(c) Transactions and balances with Vegetable Oil Joint Stock Company – an investee company

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Transactions				
Purchases of goods	114,628	100,691	114,628	100,691

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Balances				
Payable	8,318	11,724	8,318	11,724

(d) Compensation of key management

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Gross salaries and other benefits	33,401	13,918	33,401	13,918

For the purpose of related party disclosure, key management are defined as members of the Board of Management and Board of Directors.

28. SEGMENTAL INFORMATION

At 31 December 2008, management has determined reportable segments; namely domestic market and export market. The Company analyses segment revenue and cost of revenue.

The consolidated segment results for the year ended 31 December 2008 are as follows:

	Domestic Million VND	Export Million VND	Total Million VND
Sales revenue	6,993,223	1,215,759	8,208,982
Cost of sales	4,727,145	883,824	5,610,969
Gross profit	2,266,078	331,935	2,598,013

The consolidated segment results for the year ended 31 December 2007 are as follows:

	Domestic Million VND	Export Million VND	Total Million VND
Sales revenue	5,861,243	676,721	6,537,964
Cost of sales	4,271,536	564,747	4,836,383
Gross profit	1,589,707	111,974	1,701,681

29. COMMITMENTS UNDER OPERATING LEASES

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

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Within 1 year	2,295	2,161	1,931	1,842
Between 1 and 5 years	9,230	8,671	7,728	7,370
Over 5 years	76,384	73,464	63,616	62,229
Total minimum payments	87,909	84,296	73,275	71,441

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

30. CAPITAL COMMITMENTS

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

	Consolidated		Company	
	2008 Million VND	2007 Million VND	2008 Million VND	2007 Million VND
Property, plant and equipment	216,343	80,730	216,343	80,730

31. OTHER COMMITMENTS

- (i). As stated in the contract the Company entered into with FICO Real Estate Company and Real Estate Finance Joint-Stock Company to develop the Horizon Apartment project for sale, the Company is committed to contribute 24.5% of the estimated investment capital of VND285,000 million, which is VND69,825 million. The contribution of the investment capital is requested as and when required based on the progress of the project. As at 31 December 2008, the Company had contributed VND7,493 million (Note 4(b)(ii)).
- (i). As at 31 December 2008, the Company has entered into a currency forward contract with a branch of foreign bank in which the Company will purchase US\$5,000,000 for VND86,420 million by 19 January 2009. As of the date of these financial statements, the purchase has been made.

32. CONTINGENT ASSETS

Pursuant to the Land Lease Contract No.10/2005/CTHT/HĐKT date 19 May 2005 signed between the Infrastructure Development Investment Company of Bac Ninh Province and the Company, and the Letter No. 550/KTTH-CT, dated 18 May 2005 issued by the People's Committee of Bac Ninh Province, it was agreed that Bac Ninh Province would undertake to support the Company with land rental cost provided that the Company fulfilled certain commitments. In accordance with the Official Letter No. 324/TTr-LN dated 15 December 2008 co-signed by the Department of Finance and the Management Board of Industrial Zones of Bac Ninh Province recommended the People's Committee of Bac Ninh Province to support the Company an amount of VND15,746 million. However, as at 31 December 2008, this financial support has not been confirmed by the People's Committee of Bac Ninh Province.

33. EVENT AFTER THE BALANCE SHEET DATE

On 17 February 2009, the Company signed a Capital Assignment Agreement with SABMiller Asia under which the Company will transfer its entire interest in SABMiller Vietnam Joint Venture Company at the price of US\$8,250,000. In addition, SABMiller Vietnam Joint Venture Company will repay to the Company the outstanding loan of US\$12,250,000. As of the date of these financial statements, the assignment has been completed.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The classifications do not result in a charge to the net income for the year ended 31 December 2007.

The consolidated and company financial statements were approved by the Board of Directors on 23 March 2009.



Le Thanh Liem
Chief Accountant



Mai Kieu Lien
General Director



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Website: www.vinamilk.com.vn

Branch in Ha Noi:

57 Tran Duy Hung St., Trung Hoa Ward,
Cau Giay District, Hanoi
Tel : (84.4) 3556 3638
Fax : (84.4) 3556 3621

Branch in Da Nang:

175 Trieu Nu Vuong St., Nam Duong Ward,
Hai Chau District, Da Nang City.
Tex : (84.511) 3897 222
Fax : (84.511) 3897 223

Branch in Can Tho:

86D Hung Vuong St., Thoi Binh Ward,
Ninh Kieu District, Can Tho City.
Tel : (84.710) 3811 274
Fax : (84.710) 3827 334

SHOWROOMS:

In the South:

36 - 38 Ngo Duc Ke St., District 3	(84.8) 3823 7077
89 CMT8 St., District 1	(84.8) 3832 4125
206 Nguyen Dinh Chieu St., District 3	(84.8) 3930 2792
175 Nguyen Chi Thanh St., District 10	(84.8) 3957 2547
202-204 Le Quang Dinh St., Binh Thanh District	(84.8) 3510 4682
1146 Avenue 43, Binh Chieu Ward, Thu Duc District	(84.8) 6403 1423
275 Quang Trung St., Ward 6, Go Vap District	(84.8) 3989 6524

Tel:

In the North:

89 Le Hong Phong St., Ha Noi City	(84.4) 3733 6216
76 Tran Xuan Soan St., Ha Noi City	(84.4) 3943 2912

In the Central:

175 Trieu Nu Vuong St., Da Nang City	(84.511) 3816 378
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In the Mekong Delta:

47A 30/4 St., Ninh Kieu District, Can Tho City	(84.71) 3815 980
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ADDRESS OF FACTORIES:

THONG NHAT DAIRY COMPANY

12 Dang Van Bi St., Trung Tho Ward,
Thu Duc District, HCMC
Tel : (84.8) 3896 0725
Fax : (84.8) 3896 3140
Main products: Condensed milk,
UHT milk, ice -cream, yoghurt.



TRUONG THO DAIRY FACTORY

32 Dang Van Bi St., Trung Tho Ward,
Thu Duc District, HCMC
Tel : (84.8) 3896 0727
Fax : (84.8) 3896 6884
Main products: Condensed milk,
UHT milk, soy bean milk,
yoghurt, fruit juice, cheese.





SAIGON DAIRY COMPANY

Plot 1 - 18 G1 Area, Tan Thoi Hiep Industrial Park, Street 80, Hiep Thanh Ward, District 12, HCMC.

Tel : (84. 8) 3717 6355

Fax : (84. 8) 3717 6353

Main products: UHT milk, yoghurt.



SAI GON COFFEE FACTORY

NA7 St., My Phuoc II Industrial Park, Ben Cat District, Binh Duong Province.

Tel : (84.650) 3553 292

Fax : (84.650) 3553 290

Main product: Coffee

ADDRESS OF FACTORIES:

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 &
elders, nutrition powder for kids.



BINH DINH DAIRY FACTORY

87 Hoang Van Thu St., Qui Nhon City,
Binh Dinh Province.

Tel : (84.56) 3847 312

Fax : (84.56) 3746 065

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





CAN THO DAIRY FACTORY

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

Tel : (84.71) 3842 698

Fax : (84.71) 3842 811

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



TIEN SON DAIRY FACTORY

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

Tel : (84.24) 3171 4814

Fax : (84.24) 3171 4807

Main products: UHT milk, yoghurt.

ADDRESS OF FACTORIES:

NGHE AN DAIRY FACTORY

Sao Nam St., Nghi Thu village,
Cua Lo town, Nghe An Province
Tel : (84.38) 3949 032
Fax : (84.38) 3824 717
Main products: Condensed milk,
UHT milk, yoghurt.



HA NOI DAIRY FACTORY

KM 14 Duong Xa Village,
Gia Lam District, Ha Noi City
Tel : (84.4) 3827 6418
Fax : (84.4) 3827 6966
Main products: Condensed milk,
UHT milk, ice-cream,
yoghurt, soy bean milk.





LOGISTICS AND WAREHOUSE ENTERPRISE

32 Dang Van Bi St., Truong Tho Ward,
Thu Duc District, HCMC

Tel : (84.8) 3896 6673

Fax : (84.8) 3896 0804

Main services: Transportation, delivering goods



AN KHANG CLINIC

87A CMT8 St., District 1, HCMC

Tel : (08) 6291 1722 - 6291 1720

Fax : (08) 3925 3727



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Web : www.vinamilk.com.vn