



#### Financial Canlendar

#### FINANCIAL RESULTS ANNOUNCEMENTS

Quarter I: 22 April 2010

Quarter II: 23 July 2010

Quarter III: 23 October 2010

Quarter IV: 25 January 2011

#### **DIVIDEND**

Final dividend 2009: :10% of share capital by cash

Announcement : 8 February 2010

Entitlement : 25 February 2010

Payment : 26 March 2010

Additional dividend after 6 years of equitization: 10% of share capital by cash

Announcement 31 March 2010

Entitlement 8 April 2010

Payment 27 April 2010

Interim dividend 2010: 30% of share capital by cash

Announcement 2 August 2010

Entitlement 13 August 2010

Payment 31 August 2010

LAST YEAR ANNUAL GENERAL MEETING: 27 March 2010

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**Environment and Community ENVIRONMENT AND COMMUNITY** Corporate Social Responsibility (CSR)



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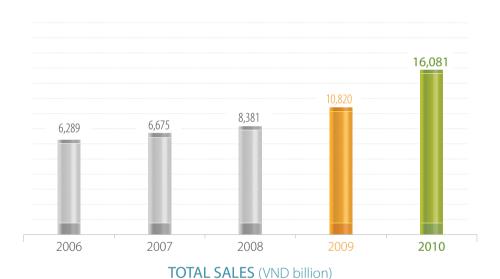




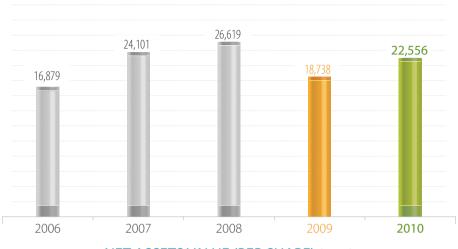
Financial Results 31/12	2010	2009	2008	2007	2006
INCOME STATEMENT (VND billion)					
Total sales	16,081	10,820	8,381	6,675	6,289
Profit before Tax	4,251	2,731	1,371	955	663
Profit after Tax	3,616	2,376	1,249	963	660
DIVIDEND PER SHARE (VND)					
Earning per share	10,251	6,769	3,563	5,607	4,150
Dividend	4,000	3,000	2,900	2,900	1,900
BALANCE SHEET (VND billion)					
Share Capital	3,531	3,513	1,753	1,753	1,590
Owners' Equity	7,964	6,455	4,666	4,224	2,684
Total Assets	10,773	8,482	5,967	5,425	3,601
Long-term borrowings	-	12	22	32	42
Net Assets Value (per share)	22,556	18,378	26,619	24,101	16,879
FINANCIAL RATIOS (%)					
Profit before Tax/ Total Sales	26%	25%	16%	14%	11%
Return on Equity Ratio (ROE)	45%	37%	27%	23%	25%
Total liabilities/Owner's Equity	35%	31%	28%	28%	34%



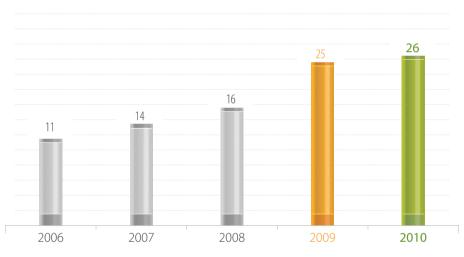
# COMPOUND AVERAGE GROWTH RATE TOTAL SALES FOR 5 YEARS



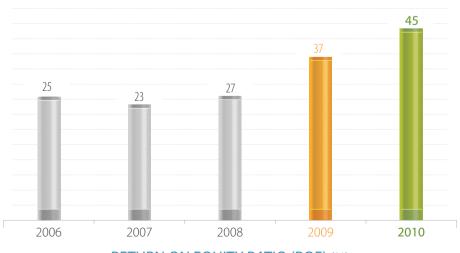




NET ASSETS VALUE (PER SHARE) (VND)



PROFIT BEFORE TAX/ TOTAL SALES (%)



RETURN ON EQUITY RATIO (ROE) (%)



Vinamilk is the first Vietnamese company to be one of the Asia's top 200 Small and Midsize Companies by Forbes. The Forbes's list 2010 is special because of the presence of the first and unique Vietnamese company, Vinamilk. It also reported that 2010, Vinamilk earned USD 575 million, ranked 16<sup>th</sup> among the Top 200. Profit before tax reached to USD 129 million, ranked 18<sup>th</sup> among the Top 200, and its market value

was approximately USD 1,56 billion, ranked at 31th among the Top 200.

## ENERGY Mother Nature



### **MESSAGE**

- Vision
- Mission
- □ Core Values
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### **Core Values**

#### 1. INTEGRITY

Integrity and transparency in actions and transactions.

#### 2. RESPECT

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

#### 3. FAIRNESS

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

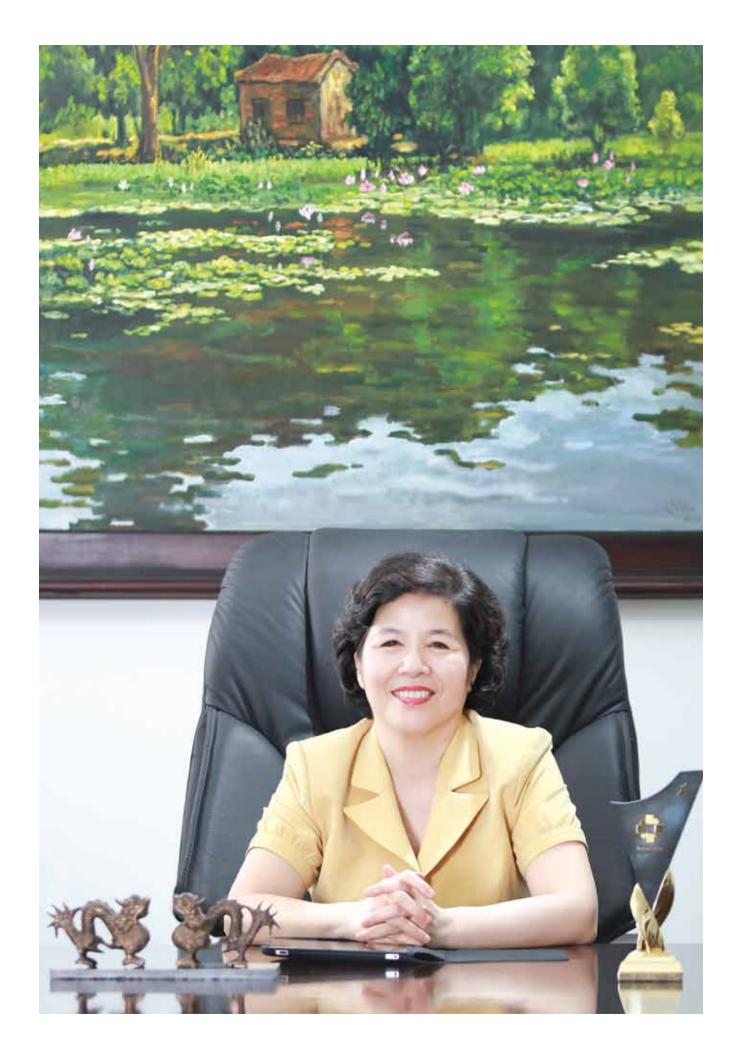
#### 4. COMPLIANCE

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

#### 5. ETHICS

To respect the established ethical standards and act accordingly.







#### To: Honorable Shareholders

We are honored that Vinamilk is the FIRST and ONLY Vietnamese company to be listed in Forbes 2010 Asia's Best Under A Billion.

## "Ibelieve that Vinamilk has everything it needs to achieve its goals"

is the opening line of my Message to Shareholders last year. Today we are reviewing the company performance with the goals being achieved.

Despite facing an uncertain and unstable economic environment in 2010, Vinamilk gained an outstanding growth, in fact, the highest growth in the 35 years.

In 2010, we achieved all targets of sales and profit. The total sales increased by 49% as compared to 2009 (11% above the target), profit before tax increased by 56% as compared to 2009 (36% above the target).

To better secure the supply of fresh milk to meet the increasing market demand, we have invested in Miraka project in New Zealand. The total investment of this project is NZD121 million and its share capital is NZD55 million, of which Vinamilk contributes NZD12.5 million and hold equivalent to 19.3% of Miraka's share capital.

With such sustainable growth, the Company has been expanding and building three new production plants for producing dairy products. one powdered milk plant with the annual capacity of 54,000 tons will begin operation in 2012. One liquid milk plant in Binh Duong with the phase 1 annual capacity of 400 million liters will begin operation at the end of 2012. This plant is the biggest and has the most advanced technology in the Southeast Asia. The third plant in Danang with its annual liquid milk capacity of 64.4 million liters and 240 million yoghurt cups will be starting late of 2011.



# TOP VIETNAMESE LARGEST PRIVATE COMPANIES

"We are honored to be the FIRST and ONLY Vietnamese company in the list of "Forbes Asia's Top 200 Best Under A Billion". The selection is based on the criteria of profit, growth, debts and prospects among 12,000 listed companies with revenue of under USD 1 billion.

Other prestigious awards won by Vinamilk during 2010 include: i) High-quality Vietnamese Goods for 2010; ii) National Brands; iii) Top 5 Vietnamese Largest Private Companies 2010 and iv) the Top 50 largest tax payers to the state budget.

Being a food manufacturer, Vinamilk does takes care not only on food hygiene and safety, but also sets its environment friendliness as a priority. All the production plants are equipped with advanced production technology from France, Germany, Denmark and Sweden to conserve water, material and energy. The waste water treatment systems are certified by the Ministry of

Natural Resource and Environment in accordance with the TCVN 5945:2005 Standards. In addition, Vinamilk uses environment-friendly packaging materials, building Biogas system for all cow farms to reduce the greenhouse effect, and participating actively in protecting the local environment where we operates with the principle of "the sustainable growth and corporate social responsibility".

#### FINANCIAL PERFORMANCE:

	Actual 2010	Target 2010	Actual 2009	% Exceed target	Growth compare d to 2009
(VND billion)					
Total sales	16,081	14,428	10,820	11 %	<b>1</b> 49 %
Profit before Tax	4,251	3,137	2,731	36 %	<b>↑</b> 56 %
Profit after Tax	3,616	2,666	2,376	36 %	<b>↑</b> 52 %
Earning per share	10,251	-	6,769	-	<b>↑</b> 51 %

#### DIVIDEND

The Annual General Meeting held on 27 March 2010 has approved the proposed dividend at 30% of the share capital. However due to the strong growth for the past six years since its equitization, the Board of Management approved an additional dividend payment of 10% of the share capital and an interim dividend payment at 30% of the share capital. These proposed dividends shall be submitted to and finalized at this Annual General Meeting.

# 4.251 BILLION PROFIT BEFORE TAX

#### STRATEGIC PLAN 2011 - 2013

Believing in the sustainable and potential development of the Vietnam dairy market, Vinamilk sets its strategic business plan focusing on:

- » Strengthening and expanding its marketing and distribution network: to open more outlets, to enhance its market penetration and invest more for selling equipment;
- » Upgrading the entire current plants and building new production plants with international technology to improve the production capacity to meet the market demand;
- » Investing and developing cow farms locally and overseas;
- » Investing in R&D to introduce higher value-added products to consumers;
- » Committing to consumers with the best quality products by applying ultimate standards of such quality management systems as ISO, HACCP;
- » Improving the corporate governance and risk management to minimize losses to the Company and its shareholders;
- » Growing the business in harmony with promoting environmental friendliness and social responsibility.

With the above strategy, Vinamilk aims to achieve the sales target of USD 1 billion.

#### **ACKNOWLEDGEMENT**

After a fruitful year, I would like to express my sincere gratitude to all members the Board of Management, Inspection Committee for their valuable contributions to our business strategies and corporate governance; to the customers and business partners for their ongoing supports and trust in Vinamilk; to all Vinamilk employees for their professionalism, loyalty and dedication to the Company; and to all shareholders for your strong supports.

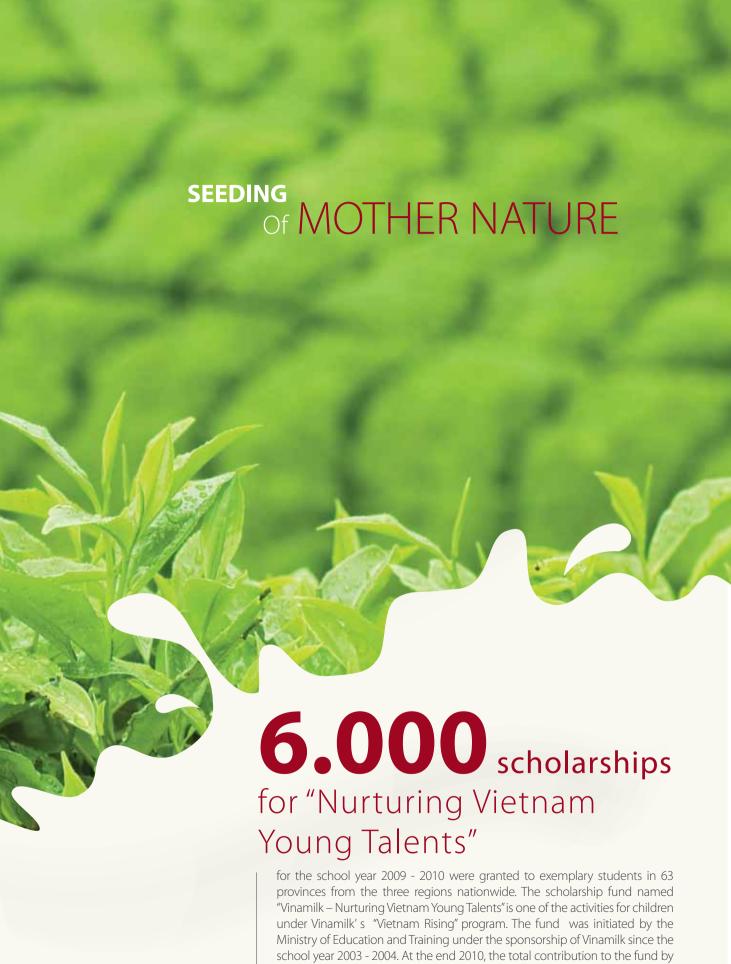
Hochiminh City, 25 March 2011



MAI KIEU LIEN Chairwoman



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Vinamilk was more than VND 14 billion.





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



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



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



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

2004

2003

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

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

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



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

#### **KEY MILESTONES IN HISTORY**





Tien Son Dairy Factory was inaugurated and put into operation in Hanoi. Acquired 100% shares from F&N Vietnam Limited and changed its name to Dielac Dairy One Member Co., Ltd.

Invested NZD12.5 million, equivalent to 19.3% of share capital in Miraka Limited in New Zealand.

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

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



Vinamilk was listed on Hochiminh City Stock Exchange (HOSE) on 19 January 2006. In September 2007, the Company acquired a controlling stake of 55% in Lam Son Milk Company Ltd., located in Le Mon Industrial Zone, Thanh Hoa province and changed its name into Lam Son Milk Joint Stock Company.

Bought our joint venture partner's remaining equity in Binh Dinh Dairy Products Company Ltd (which was then known as Binh Dinh Dairy Factory) and inaugurated Nghe An Dairy Factory, located in Cua Lo

Industrial Zone, Nghe An province, on 30

June 2005.

In 2010, Vinamilk has total 11 factories with capacity of 677,150 tons per year.





#### **VINAMILK SUBSIDIARIES AND ASSOCIATES:**

NO.	Company Name	Nature of Business	Charter Capital (VND billion)	Ownership by Vinamilk (%)
1	Vietnam Dairy Cow One Member Co., Ltd. Breeding dairy cows		840	100
2	International Real Estate One Member Co., Ltd.	Real estate business (Non-operational yet)	160	100
3	Lam Son Dairy One Member Co., Ltd.	Producing and trading dairy products and beverages	80	100
4	Dielac Dairy One Member Co., Ltd.	Manufacturing and trading dairy products.	147	100
5	Asia Saigon Food Ingredients JSC.	Producing cream powder used for foods (Non-operational yet)	90	20
6	Miraka Limited	Manufacturing and trading dairy products (Non-operational yet)	NZD 55 million	19,3

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

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

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

As at 31 December 2009, Vinamilk manages five dairy cow farms in Tuyen Quang, Nghe An, Thanh Hoa, Binh Dinh and Lam Dong with 6,000 cows.

#### 2. INTERNATIONAL REAL ESTATE ONE MEMBER CO., LTD.

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

#### 3. LAM SON DAIRY ONE MEMBER CO., LTD.

Formerly known as Lam Son Milk Joint Stock Company located in Thanh Hoa province, in which Vinamilk held 55% of the share capital. In April 2010, Vinamilk acquired all remaining shares of the Lam Son Milk Joint Stock Company changed its name to Lam Son Dairy One Member Co., Ltd. As at today, the company has a factory producing liquid milk and yoghurt based on the production orders from Vinamilk.

#### 4. DIELAC DAIRY ONE MEMBER CO., LTD.

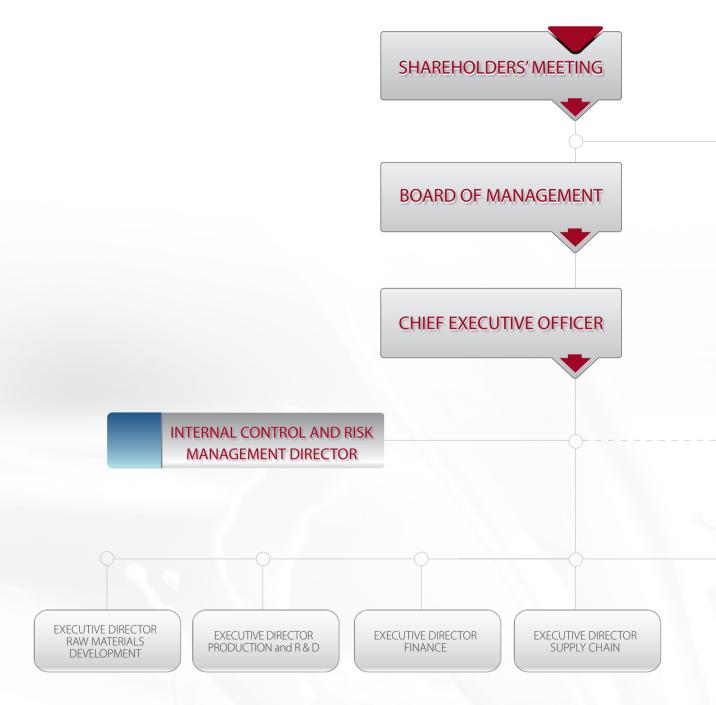
Formerly known as F&N Vietnam Co., Ltd, located in Vietnam–Singapore Industrial Park. Vinamilk acquired all its shares and changed its name to Dielac Dairy One Member Co., Ltd. under the Investment Certificate No. 463041000209 dated 30 September 2010. This subsidiary is under re-construction for the powdered milk and nutrition powder with the total annual capacity of 54.000 tons.

#### 5. ASIA SAIGON FOOD INGREDIENTS JSC.

Was founded on 7 May 2008. Its share capital is VND90 billion of which Vinamilk has a 20% stake. It is currently constructing a milk processing plant in Binh Duong Province and shall begin its operation in 2011.

#### 6. MIRAKA LIMITED.

This is the first investment project in overseas. The project is located in Taupo, New Zealand with its share capital of NZD 55 million, in which Vinamilk contributed NZD 12.5 million (equivalent to 19.3%). Miraka is constructing a high-quality powdered milk plant with the annual capacity of 32.000 tons. Miraka will come into operation in the third quarter of 2011.





EXECUTIVE DIRECTOR PROJECT

EXECUTIVE DIRECTOR MARKETING

EXECUTIVE DIRECTOR SALES

EXECUTIVE DIRECTOR HR & ADMIN

## BOARD OF MANAGEMENT

of Management for term 2007 – 2010 has 5 members in which 3 members are independent.
Shareholder Annual General Meeting 2010 approved the Chairwoman concurrently holding the position of Chief Executive Officer.



Ms. MAI KIEU LIEN Chairwoman and Chief Executive Officer



Ms. NGO THI THU TRANG Member, Executive Director Finance

From August 1976 to August 1980, she was an engineer in charge of the condensed milk production at Truong Tho Dairy Factory. From September 1980 to February 1982, she was a technology engineer in the Technical Department of the United Enterprises of Milk Coffee Cookies and Candies I. From February 1982 to June 1983, she worked as a Vice Technical Director in charge of production at Thong Nhat Dairy Factory. After finishing her training at Economic University of Leningrad in the former Soviet Union (currently Russia), she was appointed Deputy Chief Executive Officer of the United Enterprises of Milk Coffee Cookies and Candies I. In December 1992, she was promoted to Chief Executive Officer of Vietnam Dairy Products Company. On 14 November 2003, she was elected Chairwoman of the Board of Management and thereafter appointed as Chief Executive Officer of our Company. In March 2007, she continued to be elected to the Board of Management, term from 2007 to 2011 by Shareholders' Meeting.

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

In 2005, Ms. Lien was granted the "Labor Heroine in the innovation period" by the Government.

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

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



Mr. HOANG NGUYEN HOC Member



Mr. Le Anh Minh Member



Mr. WANG ENG CHIN Member

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

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

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

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

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







Ms. Ngo Thi Thu Trang Member - Executive Director Finance

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

(Refer to "Board of Management" for information about Ms. Ngo Thi Thu Trang on Page 24)



Ms. NGUYEN THI THANH HOA Executive Director Supply Chain



Ms. NGUYEN THI NHU HANG
Executive Director Raw Materials Development



Mr. TRAN MINH VAN Executive Director Project

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

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

Hang first joined our Company in 1981 where she held the position of Deputy Manager in the consumption department until 2001. She was later promoted to the position of Director of Logistics Enterprise in August 2001 and held this position until December 2002. Then Ms. Hang was promoted to Deputy General Director in January 2003, where she was in charge of the technical project department. From July 2006, Ms. Hang was in charge of customers services and then in charge of managing and developing dairy farms that supply fresh milk to the Company. In July 2007, Ms. Hang was appointed Director of Vietnam Dairy Cow One Member Co., Ltd., a subsidiary of Vinamilk. From 20 August 2009, the position of Ms. Hang has been changed to Executive Director in dairy development.

Ms. Hang graduated from the Ho Chi Minh City University of Economics in 1999 with a Bachelor degree in business administration.

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

Mr. Van graduated from Ho Chi Minh City Polytechnic University in 1981 with a Bachelor degree in engineering. He obtained a Bachelor in Business Administration from Ho Chi Minh City University of Economics in 1994, a Bachelor of Law with major in commercial laws from Ha Noi University of Laws in 2001, and a Master in Business Administration from Ho Chi Minh City University of Economics in 2003.

## EXECUTIVE BOARD



Mr. NGUYEN QUOC KHANH Acting Executive Director Production And R & D



Ms. NGUYEN HUU NGOC TRAN Acting Executive Director Marketing



Mr. PHAM PHU TUAN Acting Executive Director Sales

Has been holding the position of Acting Executive Director Production And R & D in charge of production and product development since September 2009, he currently is responsible to manage factories and research and development center of our Company. Mr. Khanh joined our Company in January 1988 at the position of KCS at checking department, Thong Nhat Dairy Factory. In 1996, Mr. Khanh was appointed Deputy Manager of production workshop, then was Manager of production workshop, then was Manager of production workshop of Thong Nhat Dairy Factory in 1998. In 2003, Mr. Khanh was promoted to the position of Acting Director of Can Tho Dairy Factory. In 2004, he was appointed Director of Can Tho Dairy Factory and held this position until September 2009.

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

Ms. Tran joined Vinamilk in July 2008 at the position of Director in charge of developing marketing strategy. In August 2009, she was appointed Acting Executive Director, in charge of Marketing. She is responsible to developing Marketing strategies for dairy and beverage products of our Company. Previously, Ms. Tran served as Marketing Manager for Pepsi Vietnam Co., Ltd. between 2003 and 2005. She was then moved to Pepsi Malaysia at position of Marketing Manager. Prior working for Vinamilk, Ms. Tran had a period working for Tan Hiep Phat Group at the position of Marketing Manager.

 $\mbox{Ms.}$  Tran graduated from Ho Chi Minh City University of Foreign Trade.

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

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





Ms. NGUYEN THI TUYET MAI Head of Inspection Committee



Mr. NGUYEN ANH TUAN Member



Mr. NGUYEN TRUNG KIEN Member

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

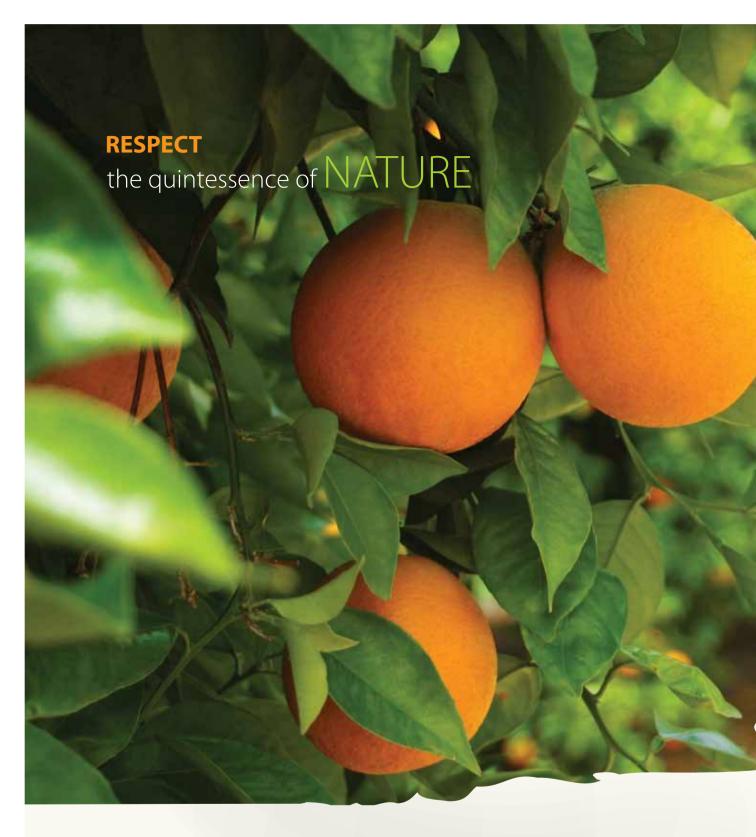
Ms. Mai graduated from the Ha Noi University for Foreign Language Studies in 1991 with a Bachelor degree majoring in English and obtained a Master degree in Business Administration from the University of Melbourne in 1999.

Being a member of the Inspection Committee from March 2008, Mr. Tuan was a founder, the Board's Chairwoman cum General Director of Goldengate Medical Equipment Joint Stock Company since 2004. From 1990 to 1992, he was an officer of the Department of Monetary-Credit Research of the State Bank of Vietnam. From 1992 to 1994, he was a Sales Executive of SJC of the State Bank of Vietnam. In 1994, he moved to work as a Sales Executive for the representative office of Taisei Corporation of Japan and had been working here until 1997. In 1999, he joined Johnson & Johnson Medical, United States as a Marketing Director in charge of ASEAN region and stayed here until 2004.

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

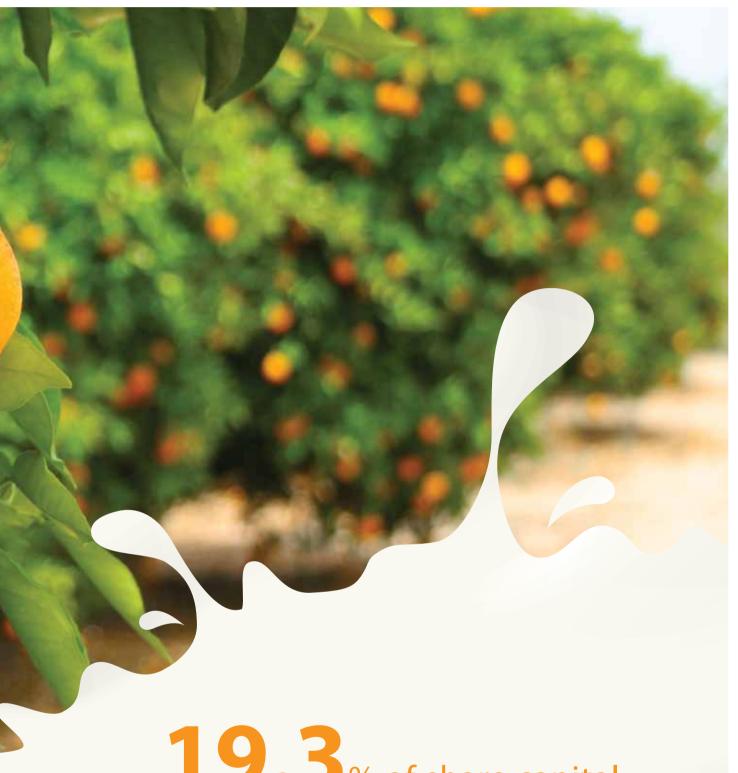
Being a member of the Inspection Committee since March 2009, Mr. Kien has been a founder and Executive Director of TNK Capital in Vietnam since the beginning of the year 2008 to now. From 2001, he was an analyst on business M&A and corporate finance of Credit Suisse First Boston Investment Bank, Singapore. After that, Mr. Kien moved to work as an expert on financial structure at branch of Commonwealth Bank of Australia in New York, America. From 2004 to 2005, he was a senior expert in unit of corporate development, business M&A research and performance of OCBC Bank, Singapore. He later moved to work as a senior investment expert for Temasek Holdings, Singapore.

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



### **Executive Board's Report**

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- □ Product Portfolio



# 19.3% of share capital in Miraka Limited, New Zealand

Vinamilk bought a stake in Miraka Limited which is building a premium powdered milk plant in North Island, New Zealand. The plant will purchase fresh milk from farmers in Taupo and produce high-quality milk products for international export markets. It has a production capacity of 32,000 tons of powdered milk per year, with total investment capital of NZD 121 million or VND 1,623 billion. The factory will officially come into operations in August 2011. This is the first offshore investment of Vinamilk.

# TOTAL SALES ACHIEVED VND BILLION A 49% YOY INCREASE



Vinamilk's total sales continually creates a strong growth rate of 49% yoy in 2010, of which domestic sales increased by 50% and export sales increases by 40%.



Despite facing an uncertain and unstable economic environment, with its efforts and trust of customers, Vinamilk gained the ever highest growth in 2010. Both turnover and profit exceeded the targets set by its Annual General Meeting.

The distribution network has been strengthened and expanded. The domestic market is the key market and accounts for about 90% of total sales and the export market contributed the remaining 10%. The product categories are as follows:

- Powdered milk and nutrition powder
- Condensed milk
- · Liquid milk and drinking yoghurt
- Spoon yoghurt
- Ice-creams, cheeses and beverages

#### Powdered milk and nutrition powder

This category is sold to both domestic and export markets. Supported by a national campaign "Vietnamese buys Vietnamese goods", it sales in 2010 jumped 56% yoy.

#### Condensed Milk

This is of Vinamilk's well known traditional products such as "Ong Tho" and "Southern Star". This product category is consumed in both by the domestic and overseas markets. Despite the slow market growth of condensed milk consumption, Vinamilk also achieved the sales increased 28% yoy.

#### Liquid Milk and Drinking Yoghurt

This category is of key contributor with a growth rate of 55% yoy.

In 2010 the Company introduced pasteurized milk, using centrifugal technology to remove bacteria, the most advanced milk technology in the world.

In addition, Vinamilk also introduced probiotic pasteurized, UHT milk that are necessary for Vietnamese consumers' growth.

#### Spoon Yoghourt

This product category has a high competitive advantage and is a strong brand. The Probiotic Yoghurt supplies good bacteria to the intestine, multi-flavored (aloe vera and fruit) and sold through an extensive distribution network. The product line upholds the strengths of Vinamilk with a growing market share. The sales from this line has grown 60% yoy.

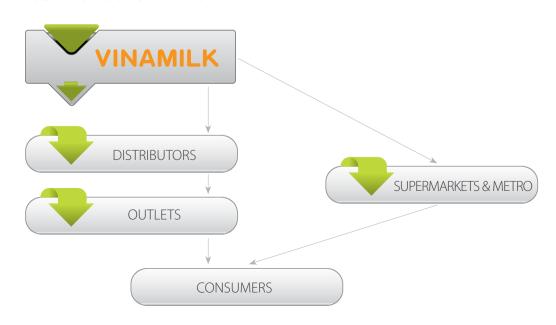


# 140,000 OUTLETS NATIONWIDE

The distribution network has been strengthened and expanded. The local market accounts for about 90% of total sales and the export market contributed the remaining 10%. The key export markets are Middle East, Cambodia, Laos and Philippines.

Vinamilk has a strong, stable and extensive distribution network nationwide. The number of outlets until now is 140,000.

#### LOCAL DISTRIBUTION NETWORK:



# Mommy, please remember to buy more Vinamilk 100% fresh milk!





#### Liquid Milk for FAMILY

# VINAMILK VINAMI

#### 100 % FRESH MILK

Is made from 100% pure and fresh milk, containing all essential nutrients from nature, giving you a sense of vitality to enjoy a beautiful life.

#### **UHT MILK FLEX**

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

#### Liquid milk for KIDS



#### **UHT MILK KID**

Is produced from fresh and pure milk, rich in calcium and minerals, and treated by a modern UHT technology. i.e. fresh milk is treated in at high temperature in a very short time (3 seconds) to retain all essential vitamins and minerals (including calcium content in milk at an optimal proportion of D/Ca). The supplement of DHA is added to improve the children's height, strong health, agility and intelligence.

# Drinking yoghurt

# **UHT MILK**



There are two lines of drinking yoghurt products, including Vinamilk Drinking Yoghurt and SUSU with various flavors. Yoghurt is good for digestion system and of good nutritious source for health.





#### VINAMII K - FINO

Vinamilk – Fino provides essential nutrients for your family, helping your family enjoy a fully beautiful life.

#### VINAMILK 100% PASTURIZED MILK

With the centrifugal technology to remove bacteria and a complex pasteurization process of 750C within 30 seconds, Vinamilk 100% pasteurized milk remains all essential nutrients from fresh milk.

It is really tasty and nutritious!



## **SPOON YOGHURT**



#### 1. PROBLYOGHURT WITH PROBIOTIC ADDED

Vinamilk Probi yoghurt with Probiotic added help to enhance the immune system and to keep the body always healthy and vitalized.

Fermented Probiotic in Vinamilk Probi yoghurt supplements directly billions of probiotic which is good for intestine and help to repress harmful bacteria so as to enhance human immunity.

Vinamilk Probi is an essential daily intake for your immune system.

#### 2. SWEETENED SPOON YOGHURT

With the flavored and rich taste from fresh milk, Sweetened Vinamilk spoon yoghurt s supplies vital energy to relieve fatigue and stress.



#### 3. ALOE VERA YOGHURT MILK

Vinamilk Aloe Vera spoon yoghurt is not only delicious but also very good for smoothing your skin because it is rich in Vitamin A and E. It also contains selenium to prevent the aging process of skin. Please explore the secret of having a smooth skin with each spoon of Vinamilk Aloe Vera spoon yoghurt!



#### 4. STRAWBERRYSPOON YOGHURT

With delicious flavor of fresh strawberries and strawberry Jam, this yoghurt will serve you with appetite and help your skin bright and smoothy.



#### 5. KEFIR SPOON YOGHURT

Vinamilk Kefir spoon yoghurt is made from special ferment which:

- Reduce cholesterol and relieves stress
- Stimulate the immune system and repress the harmful bacteria
- Is very good for diabetic patients



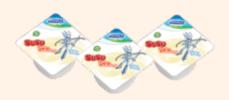
#### 6. FRUITFLAVORED SPOON YOGHURT

Vinamilk fruit-flavored yoghurt contains fruit jam to provide the freshness of nature.



#### 7. SWEETENED SUSU SPOON YOGHURT

The SuSu Spoon Yoghurt is good for kids. It supplies the dissolved fibrous Prebiotic that creates good environment to grow good microorganism in the intestines, regulates digestion, and promotes calcium absorption. With SuSu Spoon Yoghurt, kids will be healthy and happy every day.



#### 8. VINAMILK NON-SUGAR SPOON YOGHURT

With the flavor of fresh milk and low glucose, the product is very suitable for dieters and diabetic patients.



# PROBIOTIC SPOON YOGHURT



Probiotic Spoon Yoghurt is the yoghurt product fermented from billions of Lactobacillus Casei, living actively in human digestive system that helps to:

- Reinforce the resistance of digestive system
- purify toxin from food and from surrounding environment
- · Absorb nutrients at maximum capacity

Consuming Probiotic spoon yoghurt every day is the best natural way to keep digestive system healthy and enhance the human immune system.



### POWDERED MILK

# POWDERED MILK FOR PREGNANT AND BREAST FEEDING WOMAN

# DIELAC MAMA - SUITABLE FOR MOTHER AND RETTER FOR BARIES

Dielac Mama Milk Powder is specially developed for pregnant and breast feeding women. It is appealing to Vietnamese mothers. Dielac Mama provides the essential nutrients for mothers' health and promotes entire growth for children.



POWDERED MILK FOR CHILDREN WITH POOR APPETITE AND MALNUTRITION



#### POWDERED MILK FOR KIDS

#### DIELAC ALPHA - SA SMART CHOICE

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

Dielac Alpha Step 1 : For infants from 0 - 6 months

**Dielac Alpha Step 2** : For infants from 6 - 12 months

Dielac Alpha 123 : For kids from 1 - 3 years old

Dielac Alpha 456 : For kids from 4 – 6 years old

# POWDERED MILK FOR ANOREXIC AND MALNOURISHED CHILDRENDIELAC PEDIA - FOR CATCHING UP WITH NORMAL GROWTH

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







# POWDERED MILK FOR ANOREXIC AND MALNOURISHED CHILDREN

#### VINAMII K CANXI

# LOW FAT AND RICH CALCIUM THAT HELPS REINFORCE BONE SYSTEM

Vinamilk Canxi, a high mixture of Calcium and Phosphorus, together with Vitamin D and FOS helps increase utmost calcium absorbability and consolidate the bone system. In addition, the product is added with hydrolytic collagen protein which helps to nurse and strengthen the body joints and cartilage. With Vinamilk Canxi, it removes human worries of borne and joint problems, and any over 30-year old person can enjoy an active and happy life.

#### DIELAC SURE

#### SPECIAL NUTRITIOUS PRODUCT FOR PATIENTS

This special nutritious product contains high Protein, high fat, without lactose sugar and cholesterol. It is suitable for old people and those who are allergic to lactose sugar, and for patients who need quick recovery.

#### VINAMILK SKIMMED POWDER

# A SAFE AND EFFECTIVE SOLUTION FOR LOSSING WEIGHT: AVERAGE 3.9 KG AFTER SIX WEFKS

A special product helps overweighted and obese people to manage their weight through dietary, to reduce consumption threshold while totally maintaining adequate nutrition for daily activities. The product has been clinically examined at the National Institute of Nutrition on its weight-loss effectiveness and safety for Vietnamese people.





#### VINAMILK FULL CREAM MILK POWDER

#### ENHANCING ENERGY DAILY

Vinamilk sweetened full cream milk powder not only supplies essential nutrients such as protein, fat, sugar, vitamin and minerals, but also supplements some special substances such as:

- MCT: is a mid versa fat acid that helps to transform into energy quickly for body's daily energy need
- Oligofructose: growing good bacteria for the intestines and supporting digestion
- Calcium + Vitamin D, a balanced combination of Calcium and Vitamin D to increase calcium absorption.



#### RIDIELAC ALPHA

#### NUTRITIOUS, DELICIOUS AND SAFE

Cereal nutrition powder Ridielac Alpha is a supplemented food for baby developed by Vinamilk Center of Nutrition Research and Development under the International Nutrition Standard and Nutrition Requirements recommended by the Vietnam Ministry of Health. It is manufactured and controlled under the HACCP food-safety system and RVA Netherlands. It ensures the entire physical growth of body, brain and movement in children.

**Ridielac Alpha** has a complete range of products suitable for each phase of growing infants.

**Rididielac Alpha Rice - Milk and Fruit - Milk:** For infants from 6 to 24 months.

Rididielac Alpha Pork - Bo xoi Vegetable/ Pork - Carrot/ Chicken - Vegetable: For infants from 7 to 24 months.

**Ridielac Alpha Beef - Vegetable:** For infants from 8 to 24 months.





## **CONDENSED MILK**



#### **SWEETENED LONGEVITY**

A valuable nutrition source for your family's health and is specially produced to meet different needs, like drink as liquid milk when mixing with boiled warm water, eat with breads, make yoghurt or mix with mixed fruits,...

#### SWEETENED SOUTHERN STAR

With vegetable fat and no cholesterol, the product is very suitable for people of all ages, especially for dietary. The Sweetened Southern Star is of wonderful combination when using it for making flan cake, yoghurt and specially mixing with coffee.







#### ICE-CREAM

With various natural fruit flavors: strawberry, durian, coconut, green bean, taro,... The product is packed in 450ml which is convenient for consumers.

#### CHFFSF

Being produced from French production line and has very high nutritious value.

Vinamilk cheese is very suitable for growing children because it contains high calcium and plentiful nutrients.

Vinamilk cheese does not contain preservative substance and it needs cold storage during delivery.





COOL & FRESH FROM INSIDE



VFresh is a strong brand of Vinamilk, which specializes in pure fruit juice, milk mixed fruit juice and soft drinks (green tea, Artichoke tea, various waxy pumpkin teas...) and Soya-bean milk, which developed upon Fresh brand, a consumers' favourite over the last 10 years.

# VFRESH BEVERAGE



#### VFRESH SOY MILK

Vfresh Soy contains 6.4g of protein in each 200ml milk, certified by National Institute of Nutrition to be GOOD FOR HEART.

Non-cholesterol, non-preservative substance and tasty, Vfresh Soy is a perfect nutritious daily drink for you and your family.





#### VFRESH 100% PURE FRUIT JUICE

100% pure, without preservative substances and with delicious flavor, Vfresh fruit juice provides all vitamin and minerals from mother nature, giving you healthy body.

#### **NECTA VERESH**

Necta Vfresh with a pack of richly flavor fresh fruits provides you with a fresh and pleasant start everyday.



#### VFRESH MILK MIXED FRUIT JUICE

Vfresh Smoothies is a special mixture of fresh fruit juice and milk, bringing you a shake beverage which is not only delicious but also better for your health.

With new Tetra Prisma package and convenient cap, you can enjoy Vfresh Smoothies wherever and at anytime.

#### VERESH GREEN TEA

Vfresh Green Tea contains high quality fresh green tea made from 100% natural ingredients without preservatives and is a healthy drink.

Vfresh is brewed from tender tea leaves harvested from Bao Loc Highlands where the best soil and weather for tea growing are found.



#### VFRESH WAXY PUMPKIN TEA

Vfresh waxy pumpkin tea is a unique mix of temperature reduction substance of natural waxy pumpkin and transparent jelly. It has a mouthwatering flavor and surprises you with a wobbly feeling in your mouth. You will never stop.

#### VFRESH ARTICHOKE TEA

Vfresh artichoke tea is the first product packaged in advanced and comfortable PET bags. Vfresh Atiso Tea has a quality fresh Atiso content and produced from selected atiso at cool Dalat Highlands.

Vfresh artichoke Tea has a highly and purely qualified artichoke content from cool fresh Dalat Highlands. It keeps your liver cool and body antipyretic and purified.





# January 2010

Signed contract to acquire 100% of share capital of F&N Foods (Vietnam) Co. Ltd and then changed its name to Dielac Dairy One Member Co., Ltd.

# February 2010

Signed contract to sell Saigon Coffee Plant to Trung Nguyen Corporation

# April 2010

Acquired all of the remaining shares of Lam Son Milk J.S.C and then changed its name to Lam Son Dairy One Member Co., Ltd.

# September 2010



Vinamilk received the approval from Ministry of Planning and Investment for investing NZD 12.5 million (or 19,3%) in Miraka Limited, a powdered milk project in New Zealand.





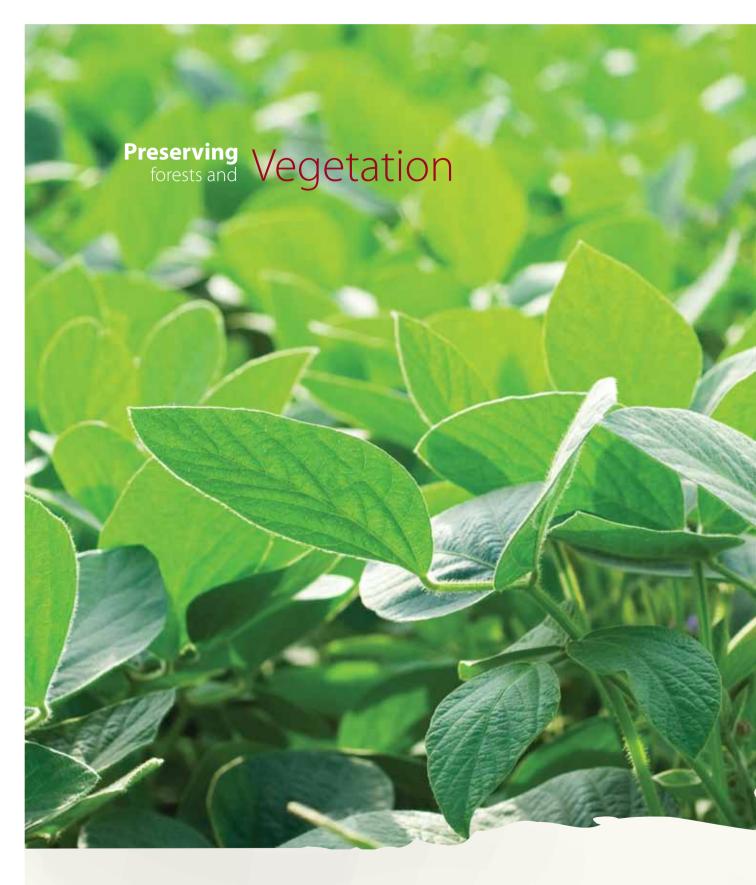




Top 200 Asian Enterprises (by Forbes)

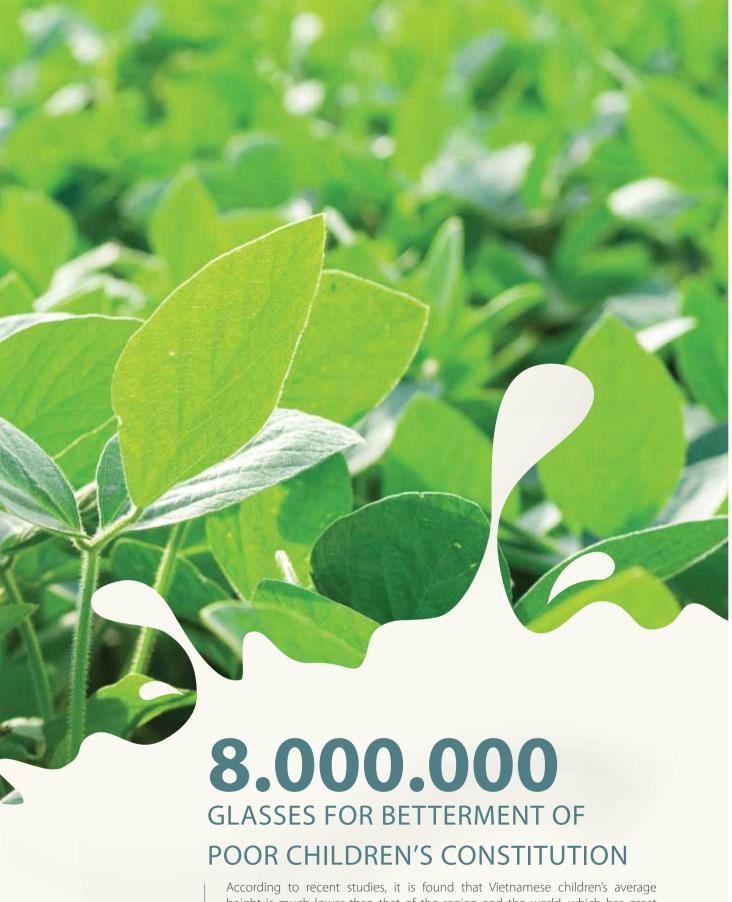
## **AWARDS IN 2010**

- 1. Asia's Best Under A Billion (by Forbes)
- 2. Vietnam's Top 5 biggest private enterprises 2010
- 3. Top 50 biggest tax payers 2010
- 4. Top 10 regional Super Brands
- 5. Vietnam's high-quality products 2010
- 6. Strong Brands 2010
- 7. Top 50 National Brands
- 8. Consumers's Favorite Products (for aloe vera spoon yoghurt and 100% fresh milk)
- 9. Vietnamese Famous Brand 2010
- 10. One of 15 brands rewarded as "Vietnam most proud Brand"
- 11. Prestigious listed brand 2010
- 12. Top 20 Recognizable Listed Enterprises on HOSE and HSX



# **Corporate Governance**

- □ Corporate Governance Report
- □ Risk management
- □ Investor relations



According to recent studies, it is found that Vietnamese children's average height is much lower than that of the region and the world, which has great relevance to the development of the next Vietnamese generation's stature. The "Vietnam Development" Milk Fund is aimed at helping undernourished, disadvantaged children. This social activity of Vinamilk is to reduce the percentage of undernourished children in the country.



Corporate Governance is one of the key factors for the sustainable growth of Vinamilk for years. In addition of the primaryCorporate Governance guidelines as per Circular No 12/2007/QĐ-BTC of Ministry of Finance dated 13 March 2007 as for "Corporate Governance for Listed Companies on Vietnam Stock Exchanges", Vinamilk consistently exercises international standards and practices for Corporate Governance as well.

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

#### CONDUCT OF AFFAIRS

#### Responsibility of the Board

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

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

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

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



Board of Management Members

#### Size of the Board

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

#### Term of appointment

The Board's members have the maximum term of five years. The list of the Board members is submitted to the Shareholders' Meeting for reelection and re-appointment at general meeting of shareholders or at least once every five years. The Company's charter also requires that one-third of the Board members should be re-appointed on each annual Shareholders' Meeting. In this respect, Mr. Wang Eng Chin and Mr. Le Anh Minh have been re-elected in the annual Shareholders' Meeting held in March 2010.

#### Delegation of authority on certain matters

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

- » Nomination Committee
- » Remuneration Committee
- » Audit Committee

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

#### Chart of Authority

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



#### Meetings and Attendance

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

Am attendance record of Board meetings held at the fiscal year ended 31 December 2010 is set out in the table below:

Ord.	Full Name	Number of meetings	Number of attendance
1	Ms. Mai Kieu Lien	6	6/6
2	Ms. Ngo Thị Thu Trang	6	6/6
3	Mr. Hoang Nguyen Hoc	6	6/6
4	Mr. Dominic Scriven (*)	1	1/1
5	Mr. Le Anh Minh	5	5/5
6	Mr. Wang Eng Chin	6	6/6

#### Notice:

(\*) The Shareholders Meeting voted Mr. Le Anh Minh as a member of the Board of Management to replace Mr. Dominic Scriven who retired from the Board on 27 March 2010. Thus Mr. Dominic Scriven attended only one meeting in 2010.

All the meetings are attended by the Inspection Committee.

#### Board Composition and Structure

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

Board of Management comprises the following members:

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

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

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

#### Chairwoman and CEO

The Chairwoman concurrently holds the position of Chief Executive Officer. This appointment was approved at the Annual General Shareholders Meeting.

The chairwoman leads the Board, ensures effective communication with shareholders, encourages constructive relations between the Board and the Management, as well as promotes high standards of corporate governance.

#### **Board Membership**

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

#### **Board Performance**

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

#### Operation of the Board's Committees

The various committees of the Board has undertaken the following in 2010:

- » Building the policies on remuneration to the Board, Inspection Committee and Chief Executive Officer
- » Developing employee stock option plan (ESOP) based on Vinamilk's business results; According to the Resolution of Shareholders' Meeting in 2006, stocks for employees are issued annually during the period from 2007 to 2011. In 2010, Vinamilk has issued shares under Phase 2 of ESOP with a total issuance of 1,806,820 shares. The last issuance phase of AGM 2006 resolution will be conducted in 2011.
- » The Enterprise Risk Management (ERM) Project was implemented with consulting assistance from Ernst & Young Vietnam. The policies and procedures set out under the ERM Project was officially applied in 2010. The application of ERM, helped Vinamilk to better define, asses and treat risks arising from its business.
- » The salary structure was developed in line with the Mercer system and implemented by Vinamilk assisted by TalentNet Consulting Company. The setting up of salary structure includes job descriptions, performance assessment which defines the level of each position, structuring a competitive salary level which is benchmarked with other similar companies in the fast moving consumer good sector in Vietnam.

#### Access of Information

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

The Executive Board provides adequately and timely information as well as reviews Vinamilk's performance prior to the Board meetings.

The Board has a separate and independent access to Vinamilk information from senior management and the Board Secretaries if they have any queries on the operations.

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

The Board Secretaries are:

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



When proposing remuneration levels, the Remuneration Committee takes into consideration the payment levels and the positions in the same industry and in comparable companies, the relative performance of Vinamilk in general and of the individual Board member and key executive officers in particular. An annual appraisal system and reward is applied to employees.

#### **B. REMUNERATION MATTERS**

#### Remuneration Policy

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

Composition of the Remuneration Committee:

Mr. Hoang Nguyen Hoc: Head of the Committee

Ms. Ngo Thi Thu Trang : Member Mr. Le Anh Minh : Member

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

#### Remuneration level and structure

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

When proposing remuneration levels, the Remuneration Committee takes into consideration the payment levels and the occupations in the same industry and in comparable companies, the relative performance of corporate performance, of each individual Board member and key executive officers. A program of annual performance rewards is also applied to all employees.

The remunerations to the Board of Management and the Inspection Committee are approved by the Vinamilk's Annual General Meetings.



Members of Board of Management and Inspection Committee

#### Disclosure of Remuneration

Remuneration of the members of the Board of Management and the Executive Board is disclosed annually. This enables investors to understand the relation between remuneration of Directors, key executives and their performance.

Remuneration level	Salary %	Bonus %	Remuneration %	Total %
BOARD OF MANAGEMENT				
Ms. Mai Kieu Lien (***)	40	57	4	100
Ms. Ngo Thi Thu Trang (*) (**)	37	53	10	100
Mr. Hoang Nguyen Ngoc (**)	-	-	100	100
Mr. Dominic Scriven (**)	-	-	100	100
Mr. Wang Eng Chin (**)	-	-	100	100
EXECUTIVE BOARD				
Mr. Tran Minh Van (*)	42	58	-	100
Ms. Nguyen Thi Thanh Hoa (*)	41	59	-	100
Ms. Nguyen Thi Nhu Hang (*)	43	57	-	100
Ms. Nguyen Huu Ngoc Tran (*)	43	57	-	100
Mr. Pham Phu Tuan (*)	43	57	-	100
Mr. Nguyen Quoc Khanh (*)	48	52	-	100

<sup>(\*):</sup> Executive Director (\*\*): Management Member (\*\*\*): Chairwoman, Chief Executive Officer



#### C. ACCOUNTABILITY AND AUDIT

#### Accountability

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

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

#### Inspection Committee

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

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

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

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

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

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



Inspection Committee

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

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

#### Internal Audit

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

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

#### D. INFORMATION ON SHARES AND SHAREHOLDERS

Charter capital : **3,530,721,200,000** VND

Number of listed shares: : 353,072,120 Shares

Number of outstanding shares: : 353,006,100 Shares

Treasury stocks : 66,020 Shares

Face value per share  $\phantom{a}$ :  $\phantom{a}$  10,000 VND





In 2010, Vinamilk issued 1,806,820 shares to employees under the Employee Stock Option Plan (ESOP) approved by Annual General Meeting 2006.



#### Shareholder structure

as at 31 December of the financial year

	2010 (%)	2009 (%)
State Capital Investment Corporation (SCIC)	47.30	47.64
Foreign shareholders	46.00	44.11
Local shareholders (excluding SCIC)	6.70	8.25
	100.00	100
Changes in ownership rate of internal shareholders	as at 31 December of the financial year	

		2010 (%)	2009 (%)	Change(%)
ВС	DARD OF MANAGEMENT			
1	Mai Kieu Lien			
	- Representative of SCIC	23.6484	23.7701	-0.1216
	- Individual	0.1860	0.1245	0.0615
2	Ngo Thi Thu Trang	0.0657	0.0519	0.0138
3	Hoang Nguyen Hoc (representative of SCIC)	23.6484	23.7701	-0.1216
4	Le Anh Minh (represetative of Dragon Capital)	7.6724	8.6915	-1.0191
5	Wang Eng Chin (represetative of F&N Dairy Investment)	10.0083	10.0598	-0.0515
IN	SPECTION COMMITTEE			
1	Nguyen Anh Tuan	0.0000	0.0000	0.0000
2	Nguyen Trung Kien	0.0028	0.0028	0.0000
3	Nguyen Thi Tuyet Mai	0.0030	0.0030	0.0000
EX	ECUTIVE BOARD			
1	Mai Kieu Lien (as above)			
2	Ngo Thi Thu Trang (as above)			
3	Nguyen Thi Nhu Hang	0.0401	0.0266	0.0135
4	Nguyen Thi Thanh Hoa	0.0462	0.0325	0.0138
5	Tran Minh Van	0.0332	0.0162	0.0170
6	Nguyen Huu Ngoc Tran	0.0091	0.0002	0.0089
7	Pham Phu Tuan	0.0077	0.0006	0.0071
8	Nguyen Quoc Khanh	0.0105	0.0032	0.0073

#### Changes in ownership of major shareholders

as at 31 December of financial year

Changes in ownership of major shareholders	2010 (%)	2009 (%)	Changes
State Capital Investment Corporation (SCIC)	47.2969	47.5401	-0.2433
F&N Dairy Investment	10.0083	10.0598	-0.0515



2010 marked the kick-off of improvement of risk management system advised by Ernst & Young Vietnam. It also set new headway for this system in 2011

#### RISK MANGEMENT WAS SET UP AT VINAMILK

#### System structure

Vinamilk developed a risk management system with a comprehensive structure of roles and responsibilities that are appropriate for Vinamilk's development and to ensure effective risk management. In addition, the structure is set up to continuously improve check and controls, in which:

- » Chief Executive Officer and Risk Management Department jointly with Board of Management, Audit Committee take responsibility of conducting and reporting risk management.
- » The Inspection Committee and the Internal Audit Department will supervise and review risk management initiatives.

#### Risk Management Documents

The risk management documents including Policy, Procedure and internal Process suitable with Vinamilk were developed to define the rules and guidance of risk management. The policies and procedures are reviewed and approved by the Board of Management. In parallel, the periodical and exception reporting system were planned to

report on risk management at Vinamilk.

#### Organization and human resource

The risk management system is conducted for all activities, goals or important programs and decisions at each period. The risk management structure is as follows:

- » The Risk Management Department manages the lines of communication and coordination among risk owners at Divisions, Departments and Units (including the subsidiaries). The key functions of this department include the application of risk management to the operations; integrating risks at company level; proposing the revision of strategy, data system...
- » Vinamilk has a Coordination Team to communicate and coordinate all risk management activities at Divisions, Departments and the operational units to the Risk Management Department.

#### PERCEPTION AND STRATEGY OF RISK MANAGEMENT

#### Risk management perception

» Firstly, risk management is only effective if it is applied to all Vinamilk operations, business, and is understood by all staff on the specific principles. The Executive Board must maintain a high level of transparency and commitment that is suitable, targeted and clearly defined. Risk management must be applied to all procedures, processes, performances and decisions by Vinamilk.

- » Secondly, all risks must be identified, analyzed, examined and resolved properly. The solutions, based on various factors, are Vinamilk's decisions to ensure the balance between benefits and cost, especially since Vinamilk always take the shareholders' interests as the top priority.
- » Thirdly, risk management must be conducted by qualified and suitable executives. The employees are supported by best in class methodology and a budget. Risk management activities should be a culture in daily operations and bring added value to Vinamilk. In addition, the tools to support risk management, such as methodology and techniques must be broad enough to apply in different business units of Vinamilk.

» Lastly, Risk Management must be consistently improved to meet the related standards and suitable with unexpected changes of Company's activities.

#### Risk management strategy

Vinamilk will continuously improve its risk management to catch up with the best in class approach and comparable with its peer group. It will promote the suitability of risk management and integrate them into Vinamilk system. It also strives to ensure risk management is an effective management tool, bringing highest value to shareholders and gain the trust of customers.

#### **RESULTS AND PLAN**

#### Accomplishments

- » As the first step, risk management was focused on the setting up and defining the risk management approach at management level and on those risks that captures Vinamilk's attention such as product quality risks, legal risk and competitive risks...
- » All risk audits were conducted by the Internal Audit Department under the consultancy of KPMG. The audits are applied for various processes at Vinamilk such as investment process and purchasing process...

#### Plan

- » Firstly, Vinamilk will develop a risk management system that complies with the ISO 31000 Standard after evaluation by international certified assessors.
- » Secondly, it will develop an early warning surveillance that integrates into the management information system of Vinamilk.
- » Thirdly, it will maintain a library of methodologies and techniques for effective application.

#### **DEADLING WITH MARKET FLUCTUATIONS**

Among the market fluctuations, Vinamilk has developed the following solutions:

- » Ensure the reasonable and neat organizations to release the quick decisions;
- » Cut the unfeasible projects;

- » Save costs at all departments to reduce cost price and operating expenses to enhance the competitive advantages of products as well as to stabilize the market;
- » Reasonably and effectively allocate and use the resources.

VINAMILK MAINTAINS EFFECTIVE COMMUNICATION WITH INVESTORS THROUGH ITS ANNUAL SHAREHOLDERS' MEETING AND THROUGH INVESTOR RELATIONS FUNCTION.





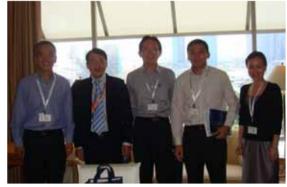
The Investors Relation Function (IR) at Vinamilk has completed its tasks in 2010. The information dissemination complied with the enterprise laws and regulations. It played a key role in providing information to investors. It also introduced the company to potential investors, thus promoting the corporate image of Vinamilk.

The impressive growth of Vinamilk growth compelled many international investors to visit Vinamilk in 2010. Some became Vinamilk's shareholders. IR members attended prestigious events held by securities companies such as Dragon Capital, JP Morgan in Hochiminh City and Daiwa Securities in Singapore. In addition, Vinamilk has maintained effective communication channels with investors through email, phone and Q&A on its website.

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Apart from media, the business results and other important information relating to Vinamilk's operations are adequately disclosed on its website at: www.vinamilk.com.vn



# **Environment and Community**

- Environment And Community
- Corporate Social Responsibility



# THE WATER TREATMENT SYSTEMS AT ALL VINAMILK FACTORIES

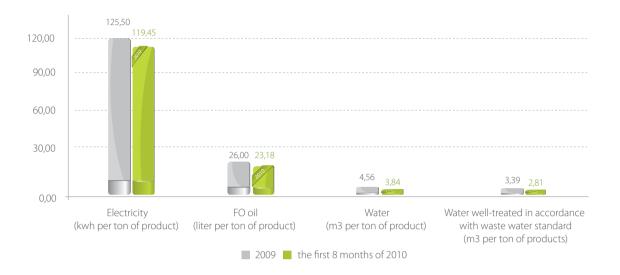
are certified by the Provincial Departments of Natural Resources and Environment

All Vinamilk production plants have modern designs to meet HACCP standards to set up a clean food safety environment and to protect workers and vicinity. All sources of noise are isolated and located far away from residential areas. Tress are planted to create a green, clean and beautiful landscape and to reduce pollution by noise, dust, smoke in the community.

# TREATED WATER DISCHARGED TO THE ENVIRONMENT ARE REDUCED BY AVERAGE PER PRODUCTION TON YOY

In addition, material savings helped reduce the greenhouse effect for substances such as carbon dioxide, methane... Being a food manufacturer, Vinamilk not only focuses on the food safety, it also set environment-friendliness as a priority. All production plants strictly obey the regulations and requirements on environmental impact assessment from its inception. Not only in setting up the water treatment system in accordance with legal regulations, the production plants actively manage the harmful wastes and build systems for smoke treatment of exhaust fumes and noise reduction.





# A. SUSTANABLE DEVELOPMENT, ENVIRONMENT-FRIENDLINESS AND CORPORATE SOCIAL RESPONSIBILITY

#### ECONOMICAL AND EFFECTIVE NATURAL RESOURCE CONSUMPTION

#### Infrastructure

All factories are equipped with advanced production lines imported from France, Germany, Denmark and Sweden... with the purpose of producing high quality products, saving energy and to recycle products and energy. In addition, Vinamilk is gradually switching from low to high production capacity lines. Application of high capacity machines help to significantly save production cost, water, material and energy.

#### Regulations and Policy

Vinamilk has applied the clean production system to save energy by setting energy usage limits and controlling wastage of electricity, water and materials. It researches on ways to protect natural resources and reduce environment pollution and still ensuring high quality products.

#### Water and Energy

According to Vinamilk statistics, water and energy consumption per production ton in past eight months was reduced significantly compared with previous year. The details listed are: water – down 15.8%; electricity - down 5.6%; FO oil - down 10.8% (refer to the chart). This reflects the efficiency of resource management and usage policy of Vinamilk.

It will also study and apply international advanced production technology such as the solar power, biogas... applied at the cow farm to reduce cost, saving scarce natural resources and reducing environment pollution.



#### REDUCING ENVIRONMENT POLLUTION

#### WASTE WATER AND SMOKE TREATMENT

All production plants strictly obey the regulations, requirements on environmental impact assessment from inception. They are not only setting up the water treatment system in accordance with legal regulations but also actively manage the harmful wastes, building the system to treat the smoke, exhaust fumes and noise.

All factories are developing the infrastructure on environment protection under ISO 14001, in which, some production plants have been certified as ISO 14001:2004 complaint (such as Thong Nhat, Truong Tho, Dielac factories)

The water treatment systems for all factories were certified by the provincial Departments of Natural Resource and Environment under the Vietnamese standard of TCVN 5945:2005 (QCVN 24:2009/BTNMT – National Standard methods for the Examination of Industry Wastewater). Treated water is used for watering trees, cleaning factories and for waste smoke treatment. Waste water from waste smoke treatment system will be retreated at the waste water treatment system.

Every factory is equipped with waste smoke treatment system in accordance with TCVN 5939:2005 standards (QCVN 19:2009/BTNMT - National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts).

All Vinamilk production plants have modern designs to meet the HACCP standard to create a clean food safety environment and to protect workers and the vicinity. All sources of noise are located in isolated places far away from residential area. Trees are planted to create a green, clean and beautiful landscape and to reduce pollution of noise, dust, smokes to the community.

All factories are approved by provincial Departments of Natural Resource and Environment on Environmental Impact Assessment Report (for new constructed factories such as Tien Son Beverage Factory) or Environment Protection Project (for factories that were built prior to 1990 such as Truong Tho, Thong Nhat, Dieclac). The departments also issue the local certificates on the Comprehensive Accomplishment of Environment Treatment. The annual reports issued by the government's environment inspectors are evident that all production plants have strictly complied with environment protection.

All factories are issued the registration certificate of waste water owner, signing contracts directly with solid waste substance treatment companies, in accordance with legal regulations.





# REDUCINNG WASTE WATER AND GREEN HOUSE EFFECT GAS

According to Vinamilk statistics, water and energy consumption per production ton in past eight months was reduced significantly compared with previous year. The details listed are: water – down 15.8%; electricity - down 5.6%; FO oil - down 10.8% (refer to the chart). This reflects the efficiency of resource management and usage policy of Vinamilk.

It will also study and apply international advanced production technology such as the solar power, biogas... applied at the cow farm to reduce cost, saving scarce natural resources and reducing environment pollution.

# USING THE ENVIRONMENT-FRIENDLY PACKAGING MATERIALS

Using the light weight packaging materials that are easily recycled or destroyed is a new trend in packaging technology in the world. Following the trend, Vinamilk has changed product designs such as using lighter tin cans to reduce the package weight of sweetened condensed milk, reducing plastic package quantity for each yoghurt cup).

# PARTICIPATING ENVIRONMENT PROTECTION ACTIVITIES IN LOCAL PROVINCES

In collaboration with local authorities, the production plants participated in cleaning, to create a green, clean and beautiful landscape in the vicinity.

Boards of Directors of factories maintain close communication with local authorities and residents to listen and consider improving the environment protection.

Production plants pay on time and sufficient fees for environment protection, water resource usage and environment pollution improvement. All plants comply with environment holidays, regularly train employees on the importance of environment protection.

Some factories were awarded with Certificate of merits by local authorities for their environment protection initiatives.



# ENVIRONMENT AND COMMUNITY



#### B. SUSTAINABLE DEVELOPMENT AND SOCIAL CORPORATE RESPONSIBILITY

Vinamilk's responsibility towards society is reflected through its criteria and policy in operations and production.

#### **TOWARD CUSTOMERS**

With more than 30 years of development, strong finance and human resource, Vinamilk is confident to provide community health by its diversified high quality products, ensuring food safety, without using the food additives not listed by Ministry of Health, without using preservative substances and gene-altered food.

Vinamilk always improves its product quality through the policy of using natural material, focusing on developing new products that are good for health (less sugar, less fat food...).

#### **TOWARD EMPLOYEES**

Vinamilk commits to respect and treat fairly with all staff, creating fair opportunities and a friendly, safe and open working environment.

#### **TOWARD COMMUNITY**

Vinamilk shares responsibility with the community through its social activities such as Milk Fund for Poor Children and the Annual Vinamilk Scholarship Foundation.

Vinamilk commits to RESPECT and FAIRNESS with all staff, creating the fair opportunities, ensuring a safe, friendly and open working environment for all.





**Sharing with community** - Vinamilk fulfills its corporate social responsibility through its charitable activities such as Milk Fund, Annual Vinamilk Scholarship Foundation.

# VND BILLION FOR MILK FOUNDATION "VIETNAM DEVELOPMENT"

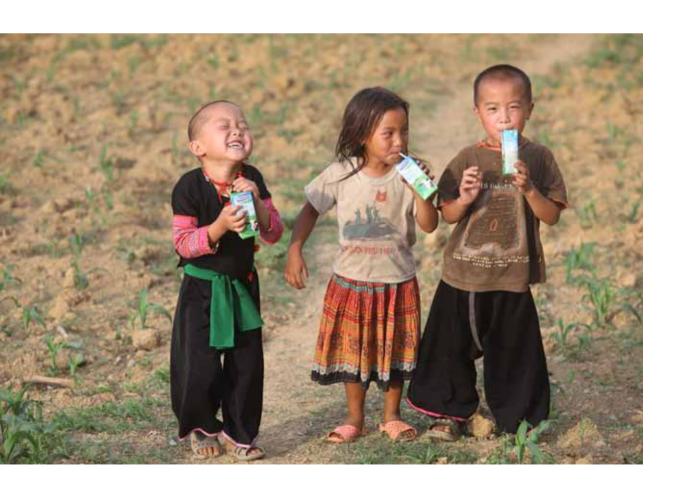
Vietnam Children Support Foundation under the Ministry of Labor, War Invalids and Social Affairs jointly with Vinamilk initiated the Vietnam Development Milk Foundation to encourage milk consumption among Vietnamese children thereby improving the health of disadvantaged children and reduce malnutrition.



The values embraced by Vinamilk, a famous brand after many years of development, are ethical, trust and cooperation of customers, partners, shareholders and the community.

Despite an uncertain global economy and fierce competition from local and international milk brands, Vinamilk has strengthened its ranking by organizing promotion events that showcase its product quality and broad range of products. With the production

process strictly supervised from the purchasing phase, advanced technology, qualified human resource, Vinamilk products have consistently met Vietnamese and international standards.



### Being a leading enterprise in corporate social responsibility (CSR), Vinamilk has consistently supported the community.

#### VINAMILK SCHOLARSHIP FOUNDATION "NURTURING VIETNAMESE YOUNG TALENTS"

From school year of 2003 - 2004, Vinamilk cooperated with the Ministry of Education and Training to set up the scholarship foundation "Vinamilk - Nurturing Vietnamese Young Talents". This foundation has supported the primary school students nationwide for 7 consecutive years with more than 29,000 scholarships valued at VND 14 billion...

In 2011, the Foundation will present 6,000 scholarships, in which 1,000 scholarships each valued at 1,000,000 VND and 5,000 scholarships containing Vinamilk products.



#### VIETNAM DEVEVOPMENT MILK FOUNDATION

Vinamilk cooperated with Vietnam Children Support Fund to establish the Vietnam Development Milk Fund, starting with 1 million glasses of milk given to poor children. The purpose of the Fund is to help children with disadvantaged family situation, malnutrition and disability... This a corporate social responsibility (CSR) event aimed at reducing the malnutrition among Vietnamese children nationwide as well as to improve the consumption habits of a new generation. The Vietnam Development Milk Foundation started the programs of "1 Million Glasses of Milk", "3 Million Glasses of Milk" and the "6 Million Glasses of Milk". Now the Foundation is targeting 8 million glasses of milk (or VND 30 billion) to provide daily milk to disadvantaged children. As a result, we hope to improve the height and intelligence of Vietnamese in the future. These are the wishes of Fund.

- » The program is jointly held with Vietnam Children Support Fund – Ministry of Labor, War Invalids and Social Affairs. The fund is chaired by Ms. Nguyen Thi Kim Ngan – Minister of Labor, War Invalids and Social Affairs.
- » The program was conducted from June 2010 to end 2010. The Fund promises to appeal VND 30 billion or 8 million glasses of milk for disadvantaged children, primary students and pre-school students at 63 provinces.
- » 8 glasses of milk will present to 90,000 kids, in which 40,000 primary students and pre-school students, the remaining will be presented to kids at open house, disable kids, and orphans.





#### VU A DINH SCHOLARSHIP FOUNDATION

Vu A Dinh Scholarship Foundation, specialized for minority students, was established by Hochiminh City Youth Union on 5 March 1999 from the idea of Thieu Nien Tien Phong magazine. The foundation experienced 11 years of supporting the mountainbased students and minority students. The Fund is becoming a familiar sponsor of Vietnam minority students

#### "DANCING WITH STARS" TV PROGRAM

"Dancing with Stars" is a live TV program with duration of 100 minutes per show, produced and broadcasted by VTV3 - Vietnam Television and sponsored by Vfresh – the beverage brand of Vinamilk

#### **DOREMI PROGRAM**

Starting from 2007, Doremi program sponsored by Vinamilk is broadcasted on VTV3 channel – Vietnam Television. This is not only an exciting and useful avenue for children but it also offers great opportunities for them to discover their abilities and talent. The, children are trained on basic music skills and performance on stage while still able to reveal their spontaneity and innocence during the show.

#### SUPPORTING FOR THE STORM AND FLOOD VICTIMS

Vinamilk granted the emergency fund amount of VND 100 million to Ha Tinh, Quang Binh Province after the storm and flood disacter disaster in the Central Region of Vietnam. All Vinamilk staff sacrificed their one day salary, totaling VND 1.7 billion to support the flood victims in Nghe An, Ha Tinh, Quang Binh, Quang Tri and Hue.

#### HONORING VIETNAMESE HEROINE MOTHERS

Vinamilk maintains a policy of horing 21 Vietnam heroine mothers for 15 years in Ben Tre and Quang Nam Da Nang provinces. Vinamilk pays a monthly allowance to the heroine mothers and Vinamilk Labor Union visits them on the occasions of War Invalids and Martyrs Day (27 July) and Lunar New Year.

#### OTHER ACTIVITIES

- » Granting VND 500 million to supporting the "HCMC Poor Patient Support Association" in the heart surgery program for children with defective hearts.
- » Taking care of poor people in Ha Tay Province in Tet Holiday.
- » Support people and soldiers in Truong Sa Islands and "Nhà giàn" DK1 in programs of "Millions Heart Toward The Islands".
- » Supporting the "Blood Donate Patient Support" association:
- » Supporting Agent Orange/ Dioxin Victims Support association.
- » Collaborated with Department of Children Care under Ministry of Labor, War Invalids and Social Affairs to set up the "Milk in Schools Project" aimed at improving and supplementing nutrition to students in pre-schools and primary schools.







49 % YOY GROWTH

Vinamilk achieved the most outstanding and highest growth in 35 years of its history.



#### VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

(VINAMILK)

English's name: VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Abbreviation name: VINAMILK Stock code (HoSE): VNM

Head office: 10 Tan Trao street, Tan Phu ward, District 7, Ho Chi Minh City, Vietnam

Telephone: (84. 8) 54 155 555

Fax: (84. 8) 54 161 226

Website: www.vinamilk.com.vn

BUSINESS REGISTRATION 0300588569 dated 20 August 2010 issued by the Planning and

CERTIFICATE No. Investment Department of Ho Chi Minh City.

**BOARD OF MANAGEMENT** 

Ms Mai Kieu Lien Chairwoman

Mr Hoang Nguyen Hoc Member
Ms Ngo Thi Thu Trang Member
Mr Wang Eng Chin Member
Mr Le Anh Minh Member

**BOARD OF DIRECTORS** 

Ms Mai Kieu Lien Chief Executive Officer

Ms Nguyen Thi Thanh Hoa Executive Director - Supply Chain

Ms Nguyen Thi Nhu Hang Executive Director Dairy Farm Development

Ms Ngo Thi Thu Trang Executive Director - Finance
Mr Tran Minh Van Executive Director - Project

Mr Nguyen Quoc Khanh Acting Executive Director Production and Products Development

Ms Nguyen Huu Ngoc Tran Acting Executive Director - Marketing

Mr Pham Phu Tuan Acting Executive Director - Sales

LEGAL REPRESENTATIVE

Ms Mai Kieu Lien Chief Executive Officer

AUDITOR PricewaterhouseCoopers (Vietnam) Limited



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

The Board of Directors is responsible for the consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which give a true and fair view of the financial position of the Group as at 31 December 2010 and of the consolidated results and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

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

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable the consolidated financial statements to be prepared which complies with the basis of accounting set out in Note 2 to the consolidated 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 FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 42 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2010, and of the consolidated results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.

On behalf of the Board of Directors



#### MAI KIEU LIEN

Chief Executive Officer Ho Chi Minh City, SR Vietnam 28 February 2011





#### PricewaterhouseCoopers (Vietnam) Ltd.

4th Floor, Saigon Tower 29 Le Duan Street, District 1 Ho Chi Minh City

Telephone: (84. 8) 3823 0796 Facsimile: (84. 8) 3825 1947

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

We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company and its subsidiaries ("the Group"), which were approved by the Board of Directors on 28 February 2011. These consolidated financial statements include the consolidated balance sheet as of 31 December 2010, the related consolidated income statement and cash flow statement for the year then ended, and explanatory notes to financial statements including a summary of significant accounting policies, as set out on pages 5 to 50.

#### BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS.

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the



entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

#### **OPINION**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and its consolidated financial performance and cash flows of the Group for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and applicable regulations in SR Vietnam.



QUACH THANH CHAU

AC No. N.0875/KTV

IAN S. LYDALL AC No. N.0559/KTV Chairwoman

PricewaterhouseCoopers (Vietnam) Limited Ho Chi Minh City, SR Vietnam Audit report number HCM2667 28 February 2011

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and 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 .



Code	ASSETS	Note	2010 VND	2009 VND
100	CURRENT ASSETS		5,919,802,789,330	5,069,158,279,142
110	Cash and cash equivalents	3	263,472,368,080	426,134,657,958
111	Cash		249,472,368,080	376,134,657,958
112	Cash equivalents		14,000,000,000	50,000,000,000
120	Short-term investments	4(a)	2,092,259,762,292	2,314,253,566,692
121	Short-term investments		2,162,917,431,792	2,400,760,431,792
129	Provision for diminution in value of short-term investments		(70,657,669,500)	(86,506,865,100)
130	Accounts receivable		1,124,862,162,625	728,635,028,515
131	Trade accounts receivable	5	587,457,894,727	513,346,454,195
132	Prepayments to suppliers		354,095,973,554	139,363,472,266
135	Other receivables	6	183,904,850,455	76,588,274,943
139	Provision for doubtful debts		(596,556,111)	(663,172,889)
140	Inventories	7	2,351,354,229,902	1,311,765,054,881
141	Inventories		2,355,487,444,817	1,321,270,711,701
149	Provision for decline in value of inventories		(4,133,214,915)	(9,505,656,820)
150	Other current assets		87,854,266,431	288,369,971,096
151	Short-term prepayments	8(a)	38,595,473,073	21,986,072,192
152	Value Added Tax to be reclaimed		16,933,368,421	37,398,679,286
154	Other taxes receivable		-	226,000,000,000
158	Other current assets		32,325,424,937	2,985,219,618

### CONSOLIDATED BALANCE SHEET (continued) As at 31 December 2010

Code	ASSETS (continued)	Note	2010 VND	2009 VND
200	LONG-TERM ASSETS		4,853,229,506,530	3,412,877,571,360
210	Long-term receivables		23,624,693	8,822,112,758
218	Other long-term receivables		23,624,693	8,822,112,758
220	Fixed assets		3,428,571,795,589	2,524,963,816,799
221	Tangible fixed assets	9(a)	2,589,894,051,885	1,835,582,064,070
222	Cost		4,113,300,629,871	3,135,506,309,723
223	Accumulated depreciation		(1,523,406,577,986)	(1,299,924,245,653)
227	Intangible fixed assets	9(b)	173,395,289,975	39,241,360,883
228	Cost		263,171,406,266	82,339,659,797
229	Accumulated depreciation		(89,776,116,291)	(43,098,298,914)
230	Construction in progress	9(c)	665,282,453,729	650,140,391,846
240	Investment properties	10	100,817,545,211	27,489,150,000
241	Cost		104,059,758,223	27,489,150,000
242	Accumulated depreciation		(3,242,213,012)	-
250	Long-term investments	4(b)	1,141,798,415,275	602,478,419,946
252	Investments in joint ventures and associates		214,232,426,023	26,151,955,551
258	Other long-term investments		1,036,146,073,800	672,731,593,440
259	Provision for diminution in value of long-term investments		(108,580,084,548)	(96,405,129,045)
260	Goodwill	11	19,556,808,664	-
270	Other long-term assets		162,461,317,098	249,124,071,857
271	Long-term prepayments	8(b)	97,740,813,322	194,714,091,558
272	Deferred income tax assets	12	62,865,036,536	53,520,933,059
278	Other long-term assets		1,855,467,240	889,047,240
280	TOTAL ASSETS		10,773,032,295,860	8,482,035,850,502



2009 VND	2010 VND	Note	RESOURCES	Code
1,991,195,909,984	2,808,595,705,578		LIABILITIES	300
1,734,870,964,822	2,645,012,251,272		Current liabilities	310
13,283,082,682	567,960,000,000	13(a)	Short-term borrowings	311
789,866,508,433	1,089,416,813,120	14	Trade accounts payable	312
28,827,412,385	30,515,029,293		Advances from customers	313
399,962,484,363	281,788,660,883	15	Taxes and other payables to the State Budget	314
28,687,738,983	33,549,296,245		Payable to employees	315
208,130,515,257	264,150,983,635	16	Accrued expenses	316
83,847,771,105	118,236,497,397	17	Other payables	319
182,265,451,614	259,394,970,699		Bonus and welfare fund	320
256,324,945,162	163,583,454,306		Long-term liabilities	330
116,939,763,988	-		Long-term trade payables	331
92,000,000,000	92,000,000,000	18	Other long-term liabilities	333
12,454,295,000	-	13(b)	Long-term borrowings	334
34,930,886,174	51,373,933,083	19	Provision for severance allowances	336
-	20,209,521,223		Unearned revenue	338
6,455,474,592,983	7,964,436,590,282		OWNERS' EQUITY	400
6,455,474,592,983	7,964,436,590,282		Capital and reserves	410
3,512,653,000,000	3,530,721,200,000	20, 21	Share capital	411
(154,222,000)	(669,051,000)	21	Treasury shares	414
1,756,282,910,335	2,172,290,789,865	21	Investment and development fund	417
294,347,876,431	353,072,120,000	21	Financial reserve fund	418
892,345,028,217	1,909,021,531,417	21	Undistributed earnings	420
35,365,347,535	-	23	MINORITY INTEREST	439
8,482,035,850,502	10,773,032,295,860		TOTAL RESOURCES	440



#### OFF BALANCE SHEET ITEMS

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

	2010	2009
US\$	1,303,277.93	3,721,592.43
EUR	994.69	425.61

LETHANH LIEM

Chief Accountant



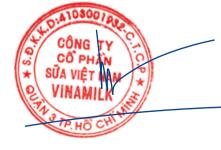
MAI KIEU LIEN

Chief Executive Officer 28 February 2011

### CONSOLIDATED INCOME STATEMENT

Code		Notes	2010 VND	2009 VND
01	Sales		16,081,466,183,586	10,820,141,520,445
02	Less deductions		(328,600,184,161)	(206,370,629,645)
10	Net sales	24(a)	15,752,865,999,425	10,613,770,890,800
11	Cost of sales	25	(10,579,208,129,197)	(6,735,061,693,184)
20	Gross profit		5,173,657,870,228	3,878,709,197,616
21	Financial income	24(b)	448,530,127,237	439,936,099,518
22	Financial expenses	26	(153,198,613,988)	(184,827,894,243)
24	Selling expenses	27	(1,438,185,805,872)	(1,245,476,021,840)
25	General and administration expenses	28	(388,147,124,772)	(292,942,132,778)
30	Operating profit		3,642,656,452,833	2,595,399,248,273
40	Net other income	29	608,785,500,303	135,959,019,269
41	Share of associate's result		(234,529,528)	_
50	Net accounting profit before tax		4,251,207,423,608	2,731,358,267,542
51	Business income tax - current	30	(645,058,588,114)	(361,536,490,197)
52	Business income tax - deferred	30, 12	9,344,103,477	6,245,696,829
53	Loss/(profit) attributable to minority interest		693,010,209	(374,620,950)
60	Net profit after tax		3,616,185,949,180	2,375,692,853,224
70	Basic earnings per share	31	10,251	6,769

**LE THANH LIEM**Chief Accountant



MAI KIEU LIEN Chief Executive Officer 28 February 2011



Code		Notes	2010 VND	2009 VND
	CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax		4,251,207,423,608	2,731,358,267,542
	Adjustments for:			
02	Depreciation and amortisation	9, 10	290,130,555,884	234,078,211,663
03	(Reversal of provisions)/provisions		(3,794,604,381)	62,019,570,731
04	Unrealised foreign exchange (gains)/losses	24, 26	(42,641,420,105)	3,485,360,436
05	Gain from disposal of fixed assets	29	(334,206,706,014)	(1,250,896,136)
06	Interest expense	26	6,171,553,959	6,654,877,842
07	Interest and dividend income	24(b)	(275,493,447,654)	(134,759,201,229)
07	Loss/(profits) from other investing activities		607,464,960	(23,039,215,925)
07	Gain from disposal of investment in joint venture		-	(139,577,506,654)
08	Operating profit before changes in working capital		3,891,980,820,257	2,738,969,468,270
09	Increase in receivables		(319,291,901,558)	(68,041,422,411)
10	(Increase)/decrease in inventories		(1,110,496,793,174)	453,952,130,175
11	Increase in payables		367,932,025,243	392,538,074,566
12	(Increase)/decrease in prepaid expenses		(14,274,508,242)	10,276,347,742
13	Interest paid		(5,034,090,508)	(6,942,303,051)
14	Business income tax paid		(548,573,466,173)	(293,332,380,687)
15	Other receipts from operating activities		66,404,700,098	16,032,334,480
16	Other payments on operating activities		(309,872,739,199)	(146,949,359,480)
20	Net cash inflows from operating activities		2,018,774,046,744	3,096,502,889,604
	CASH FLOWS FROM INVESTING ACTIVITIES			
21	Payment for fixed assets and constructions		(1,432,287,891,422)	(654,816,757,348)
22	Proceeds from disposals of fixed assets		690,015,455,837	6,746,327,021

Code		Notes	2010 VND	2009 VND
23	Purchases of equity securities and bonds		(500,000,000,000)	(200,000,000,000)
23	Proceeds from disposal of short-term investment		16,773,743,444	101,917,632,788
24	Loans collected from a joint venture		-	207,968,250,000
25	Investments in other entities		(188,315,000,000)	(2,450,000,000)
26	Proceeds from divestment in other entities		-	134,267,250,000
27	Dividends and interest received		272,639,774,517	69,082,724,259
28	Purchases of the minority shareholders' shareholding in subsidiaries		(121,252,384,560)	(15,603,226,000)
28	Decrease/(increase) in deposits at banks		269,375,000,000	(2,123,386,500,000)
30	Net cash outflows from investing activities		(993,051,302,184)	(2,476,274,299,280)
	CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issuance of shares	21	18,068,200,000	3,646,400,000
32	Payment for repurchases of shares	21	(514,829,000)	(154,222,000)
33	Proceeds from borrowings		967,075,836,372	3,319,646,682
34	Repayments of borrowings		(407,813,214,054)	(188,221,936,000)
36	Dividends paid	21.22	(1,765,200,420,000)	(351,280,620,000)
40	Net cash outflows from financing activities		(1,188,384,426,682)	(532,690,731,318)
50	Net (decrease)/increase in cash and cash equivalents		(162,661,682,122)	87,537,859,006
60	Cash and cash equivalents at beginning of year	3	426,134,657,958	338,653,634,582
61	Foreign exchange gain on cash and cash equivalents		(607,756)	(56,835,630)
70	Cash and cash equivalents at end of year	3	263,472,368,080	426,134,657,958

**LETHANH LIEM**Chief Accountant



MAI KIEU LIEN Chief Executive Officer 28 February 2011

#### GENERAL INFORMATION

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

On 20 August 2010, the Planning and Investment Department of Ho Chi Minh City issued the amended Business Registration Certificate No. 0300588569 approving the increase in share capital (Note 20).

The principal activities of the Company and its subsidiaries are:

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

#### 1. GENERAL INFORMATION (continued)

The consolidated financial statements for the year ended 31 December 2010 comprises the financial statements of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities as listed below:

			2010		2009
Name	Address	% of ownership	% of voting right	, ,	% of voting right
Subsidiaries:					
Vietnam Dairy Cow One Member Limited Company	184-186-188 Nguyen Dinh Chieu, District 3, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Lam Son Dairy One Member Company Limited (formerly known as Lam Son Dairy Products Joint Stock Company) (note a)	Le Mon Industry Zone, Thanh Hoa Province, Vietnam	100%	100%	55%	55%
International Real Estate One Member Limited Company	184-186-188 Nguyen Dinh Chieu, District 3, Ho Chi Minh City, Vietnam	100%	100%	100%	100%
Victory Real Estate One Member Limited Company (note b)	95 Le Loi, Hai Chau District, Da Nang City, Vietnam	-	-	100%	100%
Dielac Dairy One Member Company Limited (formerly known as F&N Vietnam Foods Company Limited) (note c)	9 Tu Do Venue, Vietnam - Singapore Industrial Zone, Thuan An, Binh Duong	100%	100%	-	-
Jointly controlled entities:					
Dairy Cow Development Project	Tu Tra Ward, Don Duong District, Lam Dong Province, Vietnam	25%	25%	25%	25%
Associates:					
Asia Saigon Food Ingredients Joint Stock Company	Lot C, 9E My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province, Vietnam	20%	20%	20%	20%
Horizon Apartment Business Cooperation Contract	214 Tran Quang Khai, District 1, Ho Chi Minh City, Vietnam	24.5%	24.5%	24.5%	24.5%
Miraka Limited (note d)	Becker Findlay Allen C Tower 109 Tuwharetoa St, PO Box 1091, Taupo, New Zealand	19.3%	19.3%	-	-

#### 1. GENERAL INFORMATION (continued)

- a. On 13 April 2010, the shareholders' meeting of Lam Son Dairy Products Joint Stock Company (in which, previously, the Company held 55% of ownership) issued the Resolution No. 01/04/NQ-DHDCD/10 to transfer all of the minority shareholders' shares to the Vinamilk. Subsequently, on 24 June 2010, Lam Son Dairy Products Joint Stock Company was converted into a one-member limited company under the name of Lam Son Dairy One Member Company Limited in accordance with the Business Registration Certificate No. 2801074568 issued by the Planning and Investment Department of Thanh Hoa Province.
- b. On 11 March 2010, the parent company of Victory Real Estate One Member Limited Company International Real Estate One Member Limited Company issued the Decision No. 01/2010/QD to dissolve the legal entity of Victory Real Estate One Member Limited Company and transferred the assets, liabilities and owner's equity to the parent company at book values.
- c. On 30 September 2010, Management Board of Vietnam Singapore Industrial Zone issued amended Investment Certificate No. 463043000209 approving the change in the investor from F&N Foods Pte Ltd. to Vietnam Dairy Products Joint Stock Company and the change in the Company's name from F&N Vietnam Foods Company Limited to Dielac Dairy One Member Company Limited in accordance with the agreement signed between Vietnam Dairy Products Joint Stock Company and F&N Foods Pte. Ltd. dated 4 June 2010 to purchase the holding of F&N Foods Pte. Ltd. in F&N Foods Vietnam Co., Ltd. The hand-over procedures were completed on 13 October 2010.
- d. On 30 September 2010, the Planning and Investment Ministry of Ho Chi Minh City issued the amended Investment Certificate No. 389/BKH-DTRNN-DC1 approving Vinamilk's investment in Miraka Limited, a company incorporated in New Zealand with total investment capital of 121,000,000 New Zealand Dollar for a period of 40 years since the date of the initial Overseas Investment Certificate issued on 11 September 2010. As at 31 December 2010, Vinamilk had an investment of 179,315 million Vietnamese Dong (equivalent to 12.5 million New Zealand Dollar) in Miraka Limited.

As at 31 December 2010, the Group had 4,453 employees (2009: 4,670 employees).

#### 2. ACCOUNTING SYSTEM AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation of consolidated financial statements

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

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

#### 2.2 Fiscal year

The fiscal year of the Group is from 1 January to 31 December.

#### 2.3 Consolidation

In 2010, the Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

#### Subsidiaries

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

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

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

#### Transactions and minority interests

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

#### Joint ventures and associates

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

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

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

#### 2.4 Use of estimates

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

#### 2.5 Currency

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

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

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

#### 2.6 Form of records applied

The Group uses voucher ledgers to record 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 Trade receivables

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

#### 2.9 Inventories

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

#### 2.10 Investments

#### a. Short-term investments

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

#### b. Investments in joint ventures and associates

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

#### c. Long-term investments

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

#### 2.11 Fixed assets

#### Tangible and intangible fixed assets

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



#### Depreciation

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

	Years
D. Halisa and a transfer one	10 50
Buildings and structures	10 - 50
Machinery and equipment	8 - 10
Livestock	6
Motor vehicles	10
Office equipment	3 - 8
Software	3

The depreciation of land use rights is in accordance with Circular 203/2009/TT-BTC issued by Ministry of Finance on 20 October 2009. According to this Circular, land use rights are carried at cost and not amortised.

#### Subsequent expenditure

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

#### Disposals

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

#### 2.12 Leased assets

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

#### 2.13 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.

#### Depreciation

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

	Years
Buildings	10
Infrastructure	25 - 50

The depreciation of land use rights is in accordance with Circular 203/2009/TT-BTC issued by Ministry of Finance on 20 October 2009. According to this Circular, land use rights are carried at cost and not amortised.

#### Disposals

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



#### 2.14 Share capital and treasury shares

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

Where the 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.

#### 2.15 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.

#### 2.18 Dividend distribution

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

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

#### 2.19 Method of reserve appropriation

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

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

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

#### 2.20 Related parties

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

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

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

#### 2.21 Provisions

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

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

#### 2.22 Provision for severance allowances

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

Pursuant to Law on Social Insurance, effective from 1 January 2009, the Company is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Company is no longer required to provide for the service period after 1 January 2009. However, severance allowance to be paid to existing employees as of 31 December 2010 will be determined based on the employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the employment termination date.

#### 3. CASH AND CASH EQUIVALENTS

	2010	2009
	VND	VND
Cash on hand	739,816,785	636,241,121
Cash at bank	245,717,979,722	374,658,408,861
Cash in transit	3,014,571,573	840,007,976
Cash equivalents	14,000,000,000	50,000,000,000
	263,472,368,080	426,134,657,958

#### 4. INVESTMENTS

#### a. Short-term investments

	2010 VND	2009 VND
Investment in unlisted securities	82,283,660,000	82,283,660,000
Investment in listed securities	24,993,771,792	87,536,571,792
Short-term deposits at banks	1,955,640,000,000	2,227,700,200,000
Corporate bonds	100,000,000,000	3,200,000,000
Government bonds	-	40,000,000
	2,162,917,431,792	2,400,760,431,792
Provision for diminution in value of short-term investments	(70,657,669,500)	(86,506,865,100)
	2,092,259,762,292	2,314,253,566,692

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

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



	2010 VND	2009 VND
Opening balance	86,506,865,100	122,995,786,378
Increase	7,706,652,500	-
Reversal	(23,555,848,100)	(36,488,921,278)
Closing balance	70,657,669,500	86,506,865,100

#### b. Long-term investments

#### i. Investments in associates and joint ventures

	2010 VND	2009 VND
Long-term equity investments in associates and joint ventures:		
Asia Saigon Food Ingredients Joint Stock Company	17,765,470,472	9,000,000,000
Horizon Apartment – Business Cooperation Contract	9,942,684,826	9,942,684,826
Dairy Cow Development Project	7,209,270,725	7,209,270,725
Miraka Limited	179,315,000,000	-
	214,232,426,023	26,151,955,551

#### ii. Other long-term investments

	2010 VND	2009 VND
Long-term corporate bonds	600,000,000,000	200,000,000,000
Other long-term investments:		
Listed securities	206,996,073,800	223,520,072,140
Unlisted securities	-	20,061,521,300
Investment funds	106,350,000,000	106,350,000,000
Others	122,800,000,000	122,800,000,000
	1,036,146,073,800	672,731,593,440

#### iii. Provision for diminution in value of long-term investments

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

	2010 VND	2009 VND
Opening balance	96,405,129,045	-
Increase	30,319,633,343	96,405,129,045
Reversal	(18,144,677,840)	-
Closing balance	108,580,084,548	96,405,129,045

#### 5 TRADE ACCOUNTS RECEIVABLE

	2010 VND	2009 VND
Third parties	587,457,894,727	513,346,454,195

#### 6. OTHER RECEIVABLES

	2010 VND	2009 VND
Dividends receivable	-	831,280,000
Interest income	54,367,379,215	56,339,350,382
Interest income receivable on bonds and loans	34,647,731,162	425,696,057
Import tax refundable	86,664,527,807	8,236,379,986
Claims to suppliers	5,560,735,007	5,113,567,440
Others	2,664,477,264	5,642,001,078
	183,904,850,455	76,588,274,943

#### 7. INVENTORIES

2010 VND	2009 VND
623,207,047,788	375,091,101,930
1,173,813,695,805	574,013,715,916
7,056,358,487	6,132,979,862
124,144,418,373	96,120,712,359
377,156,084,524	250,545,969,549
34,192,837,705	11,409,563,139
15,917,002,135	7,956,668,946
2,355,487,444,817	1,321,270,711,701
(4,133,214,915)	(9,505,656,820)
2,351,354,229,902	1,311,765,054,881
	VND 623,207,047,788 1,173,813,695,805 7,056,358,487 124,144,418,373 377,156,084,524 34,192,837,705 15,917,002,135 2,355,487,444,817 (4,133,214,915)

The movements in the provision for decline in value of inventory are as follows:

	2010 VND	2009 VND
Opening balance	9,505,656,820	14,304,099,823
Increase	6,674,401,057	29,978,372,166
Reversal	(6,667,004,301)	(28,390,802,339)
Utilisation	(5,379,838,661)	(6,386,012,830)
Closing balance	4,133,214,915	9,505,656,820

#### 8. PREPAYMENTS

#### a. Short-term prepayments

	2010 VND	2009 VND
Advertising expenses	8,764,606,163	3,359,557,849
Freezers and coolers	13,536,497,543	4,186,007,286
Land, warehouse and other rental expenses	4,117,594,883	6,225,726,914
Software development and server maintenance expenses	2,194,732,003	1,805,249,992
Tool and supplies	2,844,774,494	2,509,212,308
Other expenses	7,137,267,987	3,900,317,843
	38,595,473,073	21,986,072,192

#### b. Long-term prepayments

	2010 VND	2009 VND
Land rental	86,021,727,136	189,432,685,102
Freezers and coolers	7,122,306,162	2,400,404,384
Other expenses	4,596,780,024	2,881,002,072
	97,740,813,322	194,714,091,558

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

	2010 VND	2009 VND
Opening balance	194,714,091,558	195,512,328,998
Increase	31,766,676,285	13,852,680,126
Charge to income statement	(1,437,755,893)	(480,900,032)
Transfer to intangible fixed assets	(77,559,136,190)	-
Other decrease	(49,743,062,438)	(14,170,017,534)
Closing balance	97,740,813,322	194,714,091,558

Other decrease during 2010 mainly represents a portion of long-term prepayments to be allocated within a year.

#### 9. FIXED ASSETS

#### a. Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	
Historical cost			
At 1 January 2010	603,272,382,626	2,025,448,974,144	
New purchases	3,378,501,266	43,934,191,814	
Transfers from construction in progress	223,489,090,745	897,083,663,500	
Transfers from inventory	-	-	
Additions due to business combination	67,567,260,057	-	
Other additions	-	3,371,430	
Transfers to investment properties	(62,737,879,531)	(1,421,546,427)	
Reclassifications	(235,576,649)	2,464,565,652	
Disposals	(55,522,536,738)	(249,019,852,228)	
Other decreases	(218,332,434)	(25,050,000)	
At 31 December 2010	778,992,909,342	2,718,468,317,885	
ACCUMULATED DEPRECIATION			
At 1 January 2010	164,580,133,736	933,751,739,436	
Charge for the year	30,433,761,750	181,804,443,300	
Additions due to business combination	31,306,426,097	-	
Transfers to investment properties	(398,978,030)	(24,955,269)	
Reclassifications	(109,356,496)	562,544,571	
Disposals	(5,308,314,496)	(43,550,844,687)	
Other decreases	-	(11,078,325)	
At 31 December 2010	220,503,672,561	1,072,531,849,026	
Net book value			
At 1 January 2010	438,692,248,890	1,091,697,234,708	
At 31 December 2010	558,489,236,781	1,645,936,468,859	

Total VND	Livestock VND	Office equipment VND	Motor vehicles VND
			0.5 1.500 1.00
3,135,506,309,723	37,486,618,543	114,706,214,288	354,592,120,122
196,358,506,041	14,778,123,323	68,866,221,734	65,401,467,904
1,146,041,166,302	-	1,743,768,121	23,724,643,936
65,611,311,629	65,611,311,629	-	-
67,567,260,057	-	-	-
8,652,680	5,281,250	-	-
(64,159,425,958)	-	-	-
-	(70,132,190)	480,558,197	(2,639,415,010)
(433,269,531,299)	(8,502,091,683)	(9,712,702,547)	(110,512,348,103)
(363,619,304)	(64,529,870)	(45,195,000)	(10,512,000)
4,113,300,629,871	109,244,581,002	176,038,864,793	330,555,956,849
1,299,924,245,653	8,150,443,037	76,213,934,489	117,227,994,955
276,712,022,832	11,114,107,211	19,928,970,574	33,430,739,997
31,306,426,097	-	-	-
(423,933,299)	-	-	-
-	233,090,737	70,230,042	(756,508,854)
(84,078,506,904)	(2,703,740,765)	(6,370,735,481)	(26,144,871,475)
(33,676,393)	-	(19,619,668)	(2,978,400)
1,523,406,577,986	16,793,900,220	89,822,779,956	123,754,376,223
1,835,582,064,070	29,336,175,506	38,492,279,799	237,364,125,167
2,589,894,051,885	92,450,680,782	86,216,084,837	206,801,580,626



### 9. FIXED ASSETS (continued)

# a. Tangible fixed assets (continued)

Included in the cost of tangible fixed assets were assets costing VND647,984,584,591 which were fully depreciated as of 31 December 2010 (31 December 2009: VND620,924,233,160), but which are still in active use.

### b. Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Historical cost			
At 1 January 2010	35,750,347,200	46,589,312,597	82,339,659,797
New purchases	29,971,555,655	3,299,755,190	33,271,310,845
Additions due to business combination	62,055,125,624	-	62,055,125,624
Transfer from short-term and long-term prepayments	85,505,310,000	-	85,505,310,000
At 31 December 2010	213,282,338,479	49,889,067,787	263,171,406,266
ACCUMULATED AMORTISATION			
At 1 January 2010	11,608,069,186	31,490,229,728	43,098,298,914
Charge for the year	-	10,600,253,339	10,600,253,339
Additions due to business combination	30,523,959,984	-	30,523,959,984
Transfer from short-term and long-term prepayments	5,553,604,054	-	5,553,604,054
At 31 December 2010	47,685,633,224	42,090,483,067	89,776,116,291
NET BOOK VALUE			
At 1 January 2010	24,142,278,014	15,099,082,869	39,241,360,883
At 31 December 2010	165,596,705,255	7,798,584,720	173,395,289,975
At 31 December 2010	165,596,705,255	7,798,584,720	173,395,289,

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

Included in the Group's cost of intangible fixed assets were assets costing VND 18,871,366,142 which were fully depreciated as of 31 December 2010 (31 December 2009: VND 26,136,457,751), but which are still in active use.

## 9. FIXED ASSETS (continued)

# c. Construction in progress

	2010 VND	2009 VND
Opening balance	650,140,391,846	356,867,733,457
Additions	1,175,733,225,440	731,794,323,320
Transfers to tangible fixed assets	(1,146,041,166,302)	(432,340,767,263)
Transfers to investment properties	(12,411,182,265)	-
Transfers to inventory	-	(1,636,389,836)
Disposals	(1,495,453,021)	-
Other decreases	(643,361,969)	(4,544,507,832)
Closing balance	665,282,453,729	650,140,391,846

## Main projects belong to these following locations:

	2010 VND	2009 VND
Head Office	277,772,837,051	313,857,683,435
Saigon milk factory	185,734,013,102	36,929,521,394
Tien Son milk factory	49,929,155,652	51,648,322,565
Truong Tho milk factory	31,401,764,891	114,909,529,995

## 10. INVESTMENT PROPERTY

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
HISTORICAL COST				
At 1 January 2010	27,489,150,000	-	-	27,489,150,000
Transfers from construction in progress	-	709,366,974	11,701,815,291	12,411,182,265
Transfers from tangible fixed assets	-	1,421,546,427	62,737,879,531	64,159,425,958
Reclassifications	-	3,863,376,796	(3,863,376,796)	-
At 31 December 2010	27,489,150,000	5,994,290,197	70,576,318,026	104,059,758,223
ACCUMULATED DEPRECIATION				
At 1 January 2010	-	-	-	-
Charge for the year	-	358,290,755	2,459,988,958	2,818,279,713
Transfers from tangible fixed assets	-	24,955,269	398,978,030	423,933,299
Reclassifications	-	161,626,450	(161,626,450)	-
At 31 December 2010	-	544,872,474	2,697,340,538	3,242,213,012
Net book value				
At 1 January 2010	27,489,150,000	-	-	27,489,150,000
At 31 December 2010	27,489,150,000	5,449,417,723	67,878,977,488	100,817,545,211

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

#### 11. GOODWILL

On 13 April 2010, the Company acquired the remaining shares (45%) from the minority shareholders of its subsidiary – Lam Son Dairy One Member Company Limited (formerly known as Lam Son Dairy Products Joint Stock Company). Moreover, on 13 October 2010, the Company completed hand-over procedures in the agreement signed between the Company and F&N Foods Pte. Ltd. dated 4 June 2010 to purchase the holding of F&N Foods Pte. Ltd. in F&N Foods Vietnam Co., Ltd.

Goodwill arising from these transactions is amortised over 10 years using the straight-line method commencing on 1 April 2010 and on 1 October 2010, respectively.

Movements of goodwill during the year were as follows:

	2010 VND	2009 VND
Opening balance	-	-
Increase	20,680,539,721	-
Charged to the income statement	(1,123,731,057)	-
Closing balance	19,556,808,664	-

### 12. DEFERRED INCOME TAX ASSETS

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

	2010 VND	2009 VND
Opening balance	53,520,933,059	47,275,236,230
Income statement credit	9,344,103,477	6,245,696,829
Closing balance	62,865,036,536	53,520,933,059

The deferred income tax asset mainly arises from the provisions and accruals.



### 13. BORROWINGS

### a. Short-term borrowings

	2010 VND	2009 VND
Short-term borrowings	567,960,000,000	3,319,646,682
Current portion of long-term borrowings	-	9,963,436,000
	567,960,000,000	13,283,082,682

The Group's balance of short-term borrowings as at 31 December 2010 represented 5 six-month to one-year borrowings from a branch of a foreign bank amounting to US\$30 million with the interest rates ranging from 2% to 2.09% per annum. The borrowings are used to settle payables to oversea suppliers and are unsecured.

### b. Long-term borrowings

	2010 VND	2009 VND
Long-term borrowings	-	22,417,731,000
Repayable within twelve months	-	(9,963,436,000)
Repayable after twelve months	-	12,454,295,000

The loan as at 31 December 2009 was signed by the Company with Ho Chi Minh City Investment and Development Fund (40%) and Vietcombank Ho Chi Minh City branch (60%) to finance the condensed milk packing production line at Thong Nhat factory. The loan was secured by tangible fixed assets with net book value at 31 December 2010 of VND 59,215,811,590 (31 December 2009: VND 68,384,711,428) and bears interest at the average interest rate of 12 month time deposits plus 2.4% per annum. As at 31 December 2010, this loan was repaid in full to Ho Chi Minh City Investment and Development Fund and Vietcombank Ho Chi Minh City.

### 14. TRADE ACCOUNTS PAYABLE

	2010 VND	2009 VND
Third parties	1,089,416,813,120	789,866,508,433

## 15. TAXES AND OTHER PAYABLES TO STATE BUDGET

	2010 VND	2009 VND
Value Added Tax	63,543,620,049	52,305,473,573
Import duty	3,668,385,524	11,474,338,752
Business income tax	203,518,332,483	330,270,558,581
Personal income tax	10,303,847,765	5,902,783,169
Others	754,475,062	9,330,288
	281,788,660,883	399,962,484,363

## 16. ACCRUED EXPENSES

	2010 VND	2009 VND
Sales incentives for customers	125,005,789,994	143,611,944,115
Advertising expenses	83,472,865,870	37,959,007,545
Transportation expenses	20,660,425,800	13,625,930,465
Utility expenses	74,203,600	536,884,750
Repair and maintenance expenses	4,239,789,975	2,736,095,442
Others	30,697,908,396	9,660,652,940
	264,150,983,635	208,130,515,257

Other accrued expenses as at 31 December 2010 mainly represented general operating expenses, interest expense, audit fee, rental fee and fuel expense.



### 17. OTHER PAYABLES

	2010 VND	2009 VND
Deposits received from customers	13,069,222,332	48,130,560,000
Import duty payables	91,614,690,576	5,178,995,586
Payables to minority shareholders of subsidiaries	34,800,000	20,406,760,000
Other payables relating to financial investments	2,684,859,155	3,184,859,555
Insurances and trade union fee	201,264,468	130,893,835
Others	10,631,660,866	6,815,702,129
	118,236,497,397	83,847,771,105

### 18. OTHER LONG-TERM LIABILITIES

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

### 19. PROVISION FOR SEVERANCE ALLOWANCES

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

	2010 VND	2009 VND
Opening balance	34,930,886,174	35,899,570,833
Increase	24,104,008,563	4,856,819,779
Utilisation	(4,475,476,521)	(3,854,936,538)
Reversal	(3,185,485,133)	(1,970,567,900)
Closing balance	51,373,933,083	34,930,886,174

### 20. SHARE CAPITAL

On 20 August 2010, the Planning and Investment Department of Ho Chi Minh City issued the amended Business Registration Certificate No.0300588569 approving the increase in share capital to 3,530,721,200,000 Vietnamese Dong.

The Company's authorised and issued share capitals are:

	3	31.12.2010 31.12.2009		_
	Number of shares	VND	Number of shares	ND
Authorised share capital	353,072,120	3,530,721,200,000	351,265,300 3,512,653,000,00	00
Issued share capital				
Ordinary shares	353,072,120	3,530,721,200,000	351,265,300 3,512,653,000,00	00
Treasury shares				
Ordinary shares	(66,020)	(669,051,000)	(15,320) (154,222,000	0)
Shares currently in circulation				
Ordinary shares	353,006,100	3,530,052,149,000	351,249,980 3,512,498,778,00	00

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



# 21. MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Share premium VND	
As at 1 January 2009	1,752,756,700,000	1,064,948,051,177	
Capital increase during the year	1,759,896,300,000	(1,064,948,051,177)	
Profit for the year	-	-	
Appropriations to reserves	-	-	
Dividends paid	-	-	
As at 31 December 2009	3,512,653,000,000	-	
Capital increase during the year	18,068,200,000	-	
Profit for the year	-	-	
Other increases	-	-	
Appropriations to reserves	-	-	
Dividends paid (Note 22)	-	-	
As at 31 December 2010	3,530,721,200,000	-	

Treasury shares In VND	vestment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
-	869,697,027,622	175,275,670,000	803,037,145,827	4,665,714,594,626
(154,222,000)	-	-	(691,301,848,823)	3,492,178,000
-	-	-	2,375,692,853,218	2,375,692,853,218
-	886,585,882,713	119,072,206,431	(1,243,802,502,005)	(238,144,412,861)
-	-	-	(351,280,620,000)	(351,280,620,000)
(154,222,000)	1,756,282,910,335	294,347,876,431	892,345,028,217	6,455,474,592,983
(514,829,000)	-	-	-	17,553,371,000
-	-	-	3,616,185,949,180	3,616,185,949,180
-	-	-	6,688,696	6,688,696
-	416,007,879,530	58,724,243,569	(834,315,714,676)	(359,583,591,577)
-	-	-	(1,765,200,420,000)	(1,765,200,420,000)
(669,051,000)	2,172,290,789,865	353,072,120,000	1,909,021,531,417	7,964,436,590,282

### 22. DIVIDENDS

During 2010, the Company paid final dividends for the year ended 31 December 2009, additional dividends for 6 years of equitization and interim dividends of the year ended 31 December 2010 amounting to VND353,056,460,000 (VND1,000 per share), VND353,055,970,000 (VND1,000 per share) and VND1,059,087,990,000 (VND3,000 per share), respectively.

Final dividends in respect of the year ended 31 December 2010 are to be proposed at the Company's Annual General Meeting in 2011.

### 23. MINORITY INTEREST

	VND
As at 1 January 2009	50,613,519,335
Profit attributable to minority shareholders	374,620,950
Acquiring shares of subsidiaries held by minority shareholders	(15,622,792,750)
As at 31 December 2009	35,365,347,535
Loss attributable to minority shareholders	(693,010,209)
Acquiring shares of subsidiaries held by minority shareholders	(34,665,648,728)
Other decrease	(6,688,598)
As at 31 December 2010	-

### 24. REVENUE

#### a. Net sales

	2010 VND	2009 VND
Sales		
Sales of merchandise goods	158,054,990,021	69,316,652,489
Sales of finished goods	15,890,079,436,076	10,730,585,603,253
Sales from provision of services	27,410,984,250	20,239,264,703
Sales from provision of real estate services	5,920,773,239	-
	16,081,466,183,586	10,820,141,520,445

# a. Net sales (continued)

	2010 VND	2009 VND
Sales deductions		
Trade discounts	(320,185,652,193)	(196,965,123,771)
Sales returns	(8,414,531,968)	(9,405,505,874)
	(328,600,184,161)	(206,370,629,645)
Net sales	15,752,865,999,425	10,613,770,890,800

## b. Financial income

	2010 VND	2009 VND
Interest income on deposits	196,899,498,165	106,572,793,051
Interest income on bonds	60,569,825,569	9,273,679,259
Gain on disposal of market securities	1,037,680,360	33,191,128,124
Dividends income	18,024,123,920	14,588,435,250
Bonus shares	-	4,311,416,804
Realised foreign exchange gain	124,057,264,255	127,930,880,807
Unrealised foreign exchange gain from valuation of balances	47,711,031,480	
at year end		4,285,965,956
Proceeds from disposal of investment in joint venture	-	139,577,506,654
Others	230,703,488	204,293,613
	448,530,127,237	439,936,099,518

## 25. COST OF SALES

	2010 VND	2009 VND
Finished goods sold	10,356,442,165,458	6,637,850,292,740
Merchandise goods sold	145,209,760,823	50,001,285,267
Services provided	6,301,870,656	3,849,609,131
Real estate services provided	3,826,512,705	-
Inventories deficiencies	1,284,568,341	909,820,064
Costs for operating under normal capacity	66,135,854,458	40,863,116,155
Provision for the decline in value of inventory	7,396,756	1,587,569,827
	10,579,208,129,197	6,735,061,693,184

# 26. FINANCIAL EXPENSES

	2010 VND	2009 VND
Payment supports for distributors	37,407,095,648	-
Interest expenses on loans	6,171,553,959	6,253,096,842
Interest expense on deposit received	1,303,336,014	401,781,000
Realised foreign exchange losses	100,770,275,629	110,352,620,385
Unrealised foreign exchange loss from valuation of balances at year end	5,069,611,375	7,771,326,392
(Reversal of provision)/provision for diminution in value of investments	(3,674,240,097)	59,916,207,766
Brokerage fee	154,951,460	132,861,858
Other financial expenses	5,996,030,000	_
	153,198,613,988	184,827,894,243

# 27. SELLING EXPENSES

	2010 VND	2009 VND
Staff costs	111,698,708,452	127,769,536,074
Material expenses	36,033,721,867	25,461,809,958
Tools and supplies expenses	15,694,989,118	14,447,269,526
Depreciation expense	31,490,118,666	21,236,329,708
Warranty expenses	6,429,668,286	7,987,976,032
Outside services	247,150,586,765	173,517,571,524
Advertising expense	484,726,234,260	369,021,963,115
Promotion expense	267,572,811,563	228,895,940,871
Support and commission expenses for distributors	237,388,966,895	277,137,625,032
	1,438,185,805,872	1,245,476,021,840

# 28. GENERAL AND ADMINISTRATION EXPENSES

	2010	2009
	VND	VND
Staff costs	105,991,687,325	81,595,347,198
Material expenses	8,308,139,705	6,722,431,252
Office supplies	8,333,290,980	5,537,074,790
Depreciation expense	29,461,744,081	37,293,162,703
Fees and duties	7,874,243,019	8,695,525,011
Provision of bad debts	19,914,745,226	58,343,858
Outside service expenses	124,181,413,180	90,321,780,358
Loading expenses	24,830,959,180	12,313,877,310
Per diem allowances	14,145,595,709	15,032,637,945
Bank charges	6,873,150,187	6,617,325,286
Others	38,232,156,180	28,754,627,067
	388,147,124,772	292,942,132,778

## 29. NET OTHER INCOME

	2010 VND	2009 VND
Other income		
Compensation received from other parties	1,288,039,182	1,951,569,978
Proceeds from disposals of fixed assets	701,993,355,373	6,748,522,475
Proceeds from sales of scraps, tools and supplies	58,532,314,552	38,634,151,960
Rebate income from suppliers	217,531,182,525	91,480,108,818
Sundry income	3,642,276,984	4,216,267,434
	982,987,168,616	143,030,620,665

## 29. NET OTHER INCOME (continued)

	2010 VND	2009 VND
Other expenses		
Net book value of fixed assets disposed	(349,191,024,395)	(5,495,430,885)
Cost of construction in progress disposed	(1,495,453,021)	-
Fixed assets disposal expenses	(17,099,171,943)	(2,195,454)
Cost of scraps, tools and supplies disposed	(626,593,674)	(347,789,972)
Fines due to contract breach	(5,264,156,933)	-
Sundry expenses	(525,268,347)	(1,226,185,085)
	(374,201,668,313)	(7,071,601,396)
Net other income	608,785,500,303	135,959,019,269

### 30. BUSINESS INCOME TAX

The Group is required to pay business income tax ("BIT") at rates ranging from 15% to 25%, depending on locations of the factories, on taxable profits. In the Group, only the Company incurred the business income tax charge. Other companies either are in the exempt period or have no taxable income.

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

	2010 VND	2009 VND
Net accounting profit before tax	4,251,207,423,608	2,731,358,267,542
Tax calculated at the tax rate of 25%	1,062,801,855,902	682,815,566,885
Effect of:		
Change in tax rate	-	(17,630,662,575)
Unrealised loss eliminated for which deferred tax assets were not recognised	-	(124,555,076)
Different tax rates applicable for branches and subsidiaries	(172,131,175,185)	(113,548,417,700)
Income not subject to tax	(11,680,572,796)	(2,631,851,168)
Expenses not deductible for tax purposes	2,494,552,401	3,131,052,281
Tax incentives	(250,238,871,042)	(149,075,942,923)
Tax losses for which no deferred income tax asset was previously recognised	-	1,129,086,780
Current tax losses in subsidiaries for which no deferred income tax asset was recognised	3,994,740,319	-
Under/(over) provision in previous years	473,955,038	(48,772,878,778)
Business income tax charge	635,714,484,637	355,291,397,726

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



### 31. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	2010 VND	2009 VND
Net profit attributable to shareholders	3,616,185,949,180	2,375,692,853,224
Weighted average number of ordinary shares in issuance	352,777,598	350,950,861
Basic earnings per share	10,251	6,769

The Company does not have potentially dilutive ordinary shares.

## 32. COST OF GOODS MANUFACTURED BY FACTORS

	2010 VND	2009 VND
Raw materials	10,223,560,438,739	6,528,517,999,873
Labour costs	490,733,283,511	460,889,924,520
Depreciation expense	282,101,851,074	229,813,153,286
Outside service expenses	570,428,629,163	377,425,864,139
Other cash expenses	1,155,019,268,882	996,141,996,057
	12,721,843,471,369	8,592,788,937,875

### 33. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

During the year, there are only transactions of compensations to members of Board of Management and Board of Directors as follows:

	2010 VND	2009 VND
Compensation to members of Board of Management and Board of Directors	41,545,628,000	30,059,586,864

### 34. SEGMENTAL REPORTING

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

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

### Geographical segments

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

#### **DOMESTIC**

	2010 VND	2009 VND
Sales revenue	14,096,108,021,031	9,415,220,745,218
Cost of sales	(9,249,543,881,741)	(5,886,500,688,172)
Segment income	4,846,564,139,290	3,528,720,057,046
EXPORT		
	2010 VND	2009 VND
Sales revenue	1,656,757,978,394	1,198,550,145,582
Cost of sales	(1,329,664,247,456)	(848,561,005,012)
Segment income	327,093,730,938	349,989,140,570



#### **TOTAL**

	2010 VND	2009 VND
Sales revenue	15,752,865,999,425	10,613,770,890,800
Cost of sales	(10,579,208,129,197)	(6,735,061,693,184)
Segment income	5,173,657,870,228	3,878,709,197,616

### 35. CAPITAL COMMITMENTS

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

	2010 VND	2009 VND
Buildings, factories, machineries and equipment	1,511,730,845,164	365,161,000,000

## 36. COMMITMENTS UNDER OPERATING LEASES

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

### LAND AND WAREHOUSE RENTAL

	2010 VND	2009 VND
Within 1 year	5,519,112,723	4,626,000,000
Between 1 and 5 years	22,076,450,893	18,530,000,000
Over 5 years	195,180,370,321	159,364,000,000
Total minimum payments	222,775,933,937	182,520,000,000

#### 37. SUBSEQUENT EVENTS

In February 2011, the Company issued 3,498,520 shares at par value to its employees.

#### 38. COMPARATIVES

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

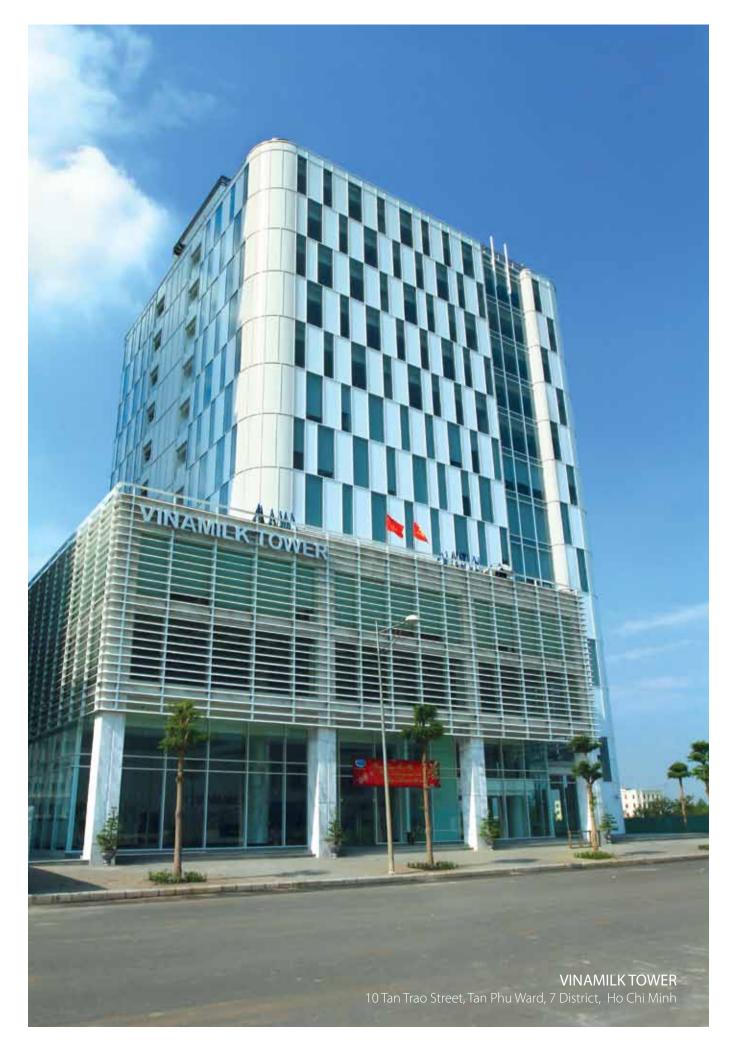
The consolidated financial statements were approved by the Board of Directors on 28 February 2011.

LE THANH LIEM

Chief Accountant



MAI KIEU LIEN Chief Executive Officer





#### **NEW HEAD OFFICE**

10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City

Tel: (84.8) 54 155 555 Fax: (84.8) 54 161 226

Email: vinamilk@vinamilk.com.vn Website: www.vinamilk.com.vn

### **BRANCHES**

#### HA NOI BRANCH

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

Tel: (84 4) 35 563 638 Fax: (84 4) 35 563 621

### DA NANG BRANCH

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

Tel: (84 511) 3 897 449 Fax: (84 511) 3897223

#### **CAN THO BRANCH**

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

Tel: (84 710) 3 811 274 Fax: (84 710) 3 827 334





### TRUONG THO DAIRY FACTORY

32 Dang Van Bi Street, Truong Tho Ward, Thu Duc District, Ho Chi Minh City

Tel: (848) 39 300 358 - 39 305 197

Fax: (848) 39 305 206



### THONG NHAT DAIRY FACTORY

12 Dang Van Bi Street, Truong Tho Ward, Thu Duc District, Ho Chi Minh City

Tel: (84 8) 38 960 725 Fax: (84 8) 38 963 140



### **DIELAC DAIRY FACTORY**

Bien Hoa I Industrial Park, Binh An Ward, Bien Hoa City, Dong Nai Province

ĐT: (84 61) 3 836 115 Fax: (84 61) 3 836 015





### **BINH DINH DAIRY FACTORY**

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

Tel: (84 56) 3 847 312 Fax: (84 56) 3 746 065



### NGHE AN DAIRY FACTORY

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

Tel: (84 38) 3 949 032 Fax: (84 38) 3 824 717



### SAI GON DAIRY FACTORY

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

Tel: (848) 37 176 355 Fax: (848) 37 176 353





### **CAN THO DAIRY FACTORY**

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

Tel: (84 710) 3 842 698 Fax: (84 710) 3 842 811



### TIEN SON DAIRY FACTORY

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

Tel: (84 241) 31 714 814 Fax: (84 241) 31 714 807



### **VIETNAM BEVERAGE FACTORY**

Plot A-2-CN, A-9-CN, My Phuoc 2 Industrial Zone, Ben Cat District, Binh Duong Province





## DA NANG DAIRY FACTORY

Hoa Khanh Industrial Zone, Da Nang City.

(The project is under construction)



### **VIET NAM DAIRY FACTORY**

Plot A-4-CN, A-5-CN, A-6-CN, My Phuoc 2 Industrial Zone, Ben Cat District, Binh Duong Province

(The project is under construction)





### HO CHI MINH LOGISTICS ENTERPRISE

32 Dang Van Bi, Truong Tho Ward, Thu Duc District, Ho Chi Minh City

Tel: (848) 38 966 673 Fax: (848) 38 960 804



### HA NOI LOGISTICS ENTERPRISE

Km 11, National Road No. 5, Duong Xa Commune, Gia Lam District, Ha Noi City

Tel: (844) 38 276 418 Fax: (844) 38 276 966



## AN KHANG CLINIC

87A Cach Mang Thang 8 Street, District 1, Ho Chi Minh City

Tel: (84 241) 62 911 722 Fax: (84 241) 62 911 720

# SUBSIDIARIES AND ASSOCIATES



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

# INTERNATIONAL REAL ESTATE ONE MEMBER CO., LTD.

10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City

Tel: (848) 54 155 555 Fax: (848) 54 161 226



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

Le Mon Industrial Zone, Thanh Hoa City, Thanh Hoa Province

Tel: (84 37) 3 912 702 Fax: (84 37) 3 912 541



### DIELAC DAIRY ONE MEMBER CO., LTD.

No 9, Tu Do Avenue, Vietnam – Singapore, Thuan An District, Binh Duong Province



# ASIA SAIGON FOOD INGREDIENTS JSC.

Plot C- 9E – CN, My Phuoc 3 Industrial Zone, Ben Cat District, Binh Duong Province



### MIRAKA LIMITED

Beker Findlay Allan Ltd, PO Box 1091,

Taupo, New Zealand

Tel: +64 (07) 377-6380 DDI: +64 (07) 376-2710 Fax: +64 (07) 377-6382



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