



VINAMILK



Vietnam dairy dream
rise in the **WORLD**

ANNUAL REPORT 2016



VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY

Stock symbol: VNM

Vietnamese name : Công ty Cổ phần Sữa Việt Nam

Abbreviated name : Vinamilk

Share capital : VND 14,514,534,290,000

Headquarter : No.10 Tan Trao Street, Tan Phu Ward, District 7, Ho Chi Minh City

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Website : www.vinamilk.com.vn

: www.vuoncaovietnam.com

: www.youtube.com/user/Vinamilk

Business registration certificate and tax code: 0300588569



ABBREVIATIONS

The Company	: Vietnam Dairy Products Joint Stock Company	IR	: Investor Relations
Vinamilk	: Vietnam Dairy Products Joint Stock Company	ROE	: Return on Equity
AGM	: Annual General Meeting	ROA	: Return on Assets
BOD	: Board of Directors	CAGR	: Compound Annual Growth Rate
IC	: Inspection Committee	IFRS	: International Financial Reporting Standards
BOM	: Board of Management	SCIC	: The State Capital Investment Corporation
CEO	: Chief Executive Officer	HOSE	: Ho Chi Minh Stock Exchange
IA	: Internal Audit	R & D	: Reseach and Development
ESOP	: Employee Share Ownership Plan		

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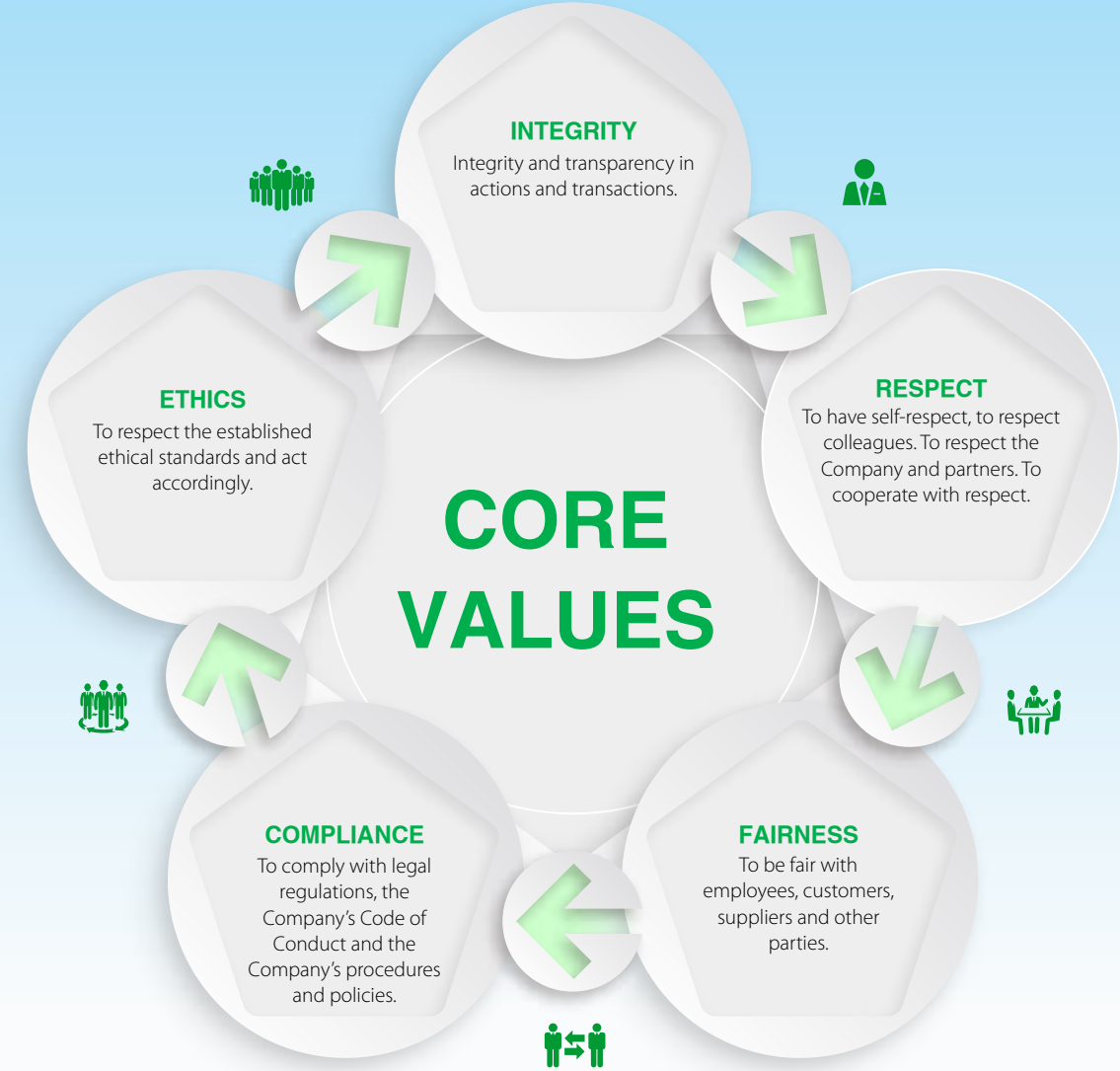
VISION, MISSION, CORE VALUES






VISION

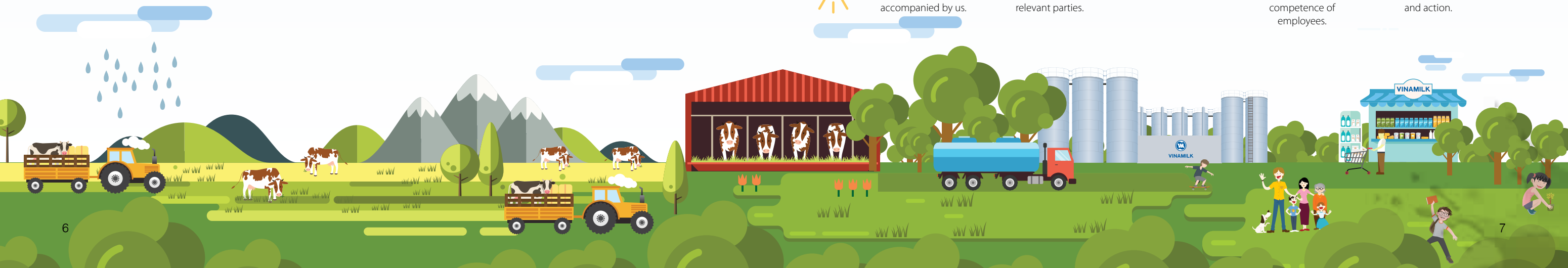
To become a world grade brand in food and beverage industry, where people put all their trust in nutrient and health products.

MISSION

To deliver the most valuable nutrition to community with our respect, love and responsibility.



RESPONSIBILITIES	SUSTAINABLE DEVELOPMENT	CREATIVITY	HUMAN DEVELOPMENT	CUSTOMER IS CENTER
 Whole hearted commitment to mission and acting with the highest responsibility are always accompanied by us.	 We do business on the basis of paying attention to long-term interest of customers, shareholders and relevant parties.	 We have high opinion of renovation and creativity in order to improve quality, performance of all operations.	 We attach special importance to all activities related to development of knowledge and competence of employees.	 We always pursue what brings true thing, good thing for customers and keep customers centered principle in every thought and action.





CHAIRWOMAN'S MESSAGE

💧 2016 ENDED UP THE TENURE WITH IMPRESSIVE ACHIEVEMENTS HIGHLIGHTED BY HIGH PROFIT AND GROWTH INDICATORS OF WHICH VINAMILK COULD BE PROUD. 💧

Dear valued customers, shareholders and the entire executives and staff of Vinamilk,

2016 witnessed numerous fluctuations in global politics and society, fierce competition in business environment and lackluster growth in many industries. Vietnam's economy is not an outlier. Local companies, especially consumer goods ones, had to face various challenges and their ensuing average growth rate failed to meet expectations. In that perspective, to mark the celebration of Vinamilk's 40th birthday anniversary and thanks to tight collaboration between the Board of Directors (BOD) and the Chief Executive Officer (CEO), aggressive direction of the Board of Management (BOM) and exceptional efforts of all employees, Vinamilk remarkably outperformed all of its approved budgets and objectives. Some highlights are as follows:

- » Total revenue was VND46,965 billion, reaching 105% of the budget approved by the Annual General Meeting (AGM).
- » Net profit after tax was VND9,364 billion, completing 113% of the AGM's target.

- » Market shares of all product categories were maintained with significant growth in the three key categories such as liquid milk, yogurt and drinking yogurt.

Apart from financial targets, non-financial ones also saw similar development. Three main factors including economy, society and environment under sustainable development theme were put in more focus by Vinamilk to align the Company's interests with that of stakeholders. With many programs and projects heading to specific objectives and earnest execution plans, Vinamilk gained encouraging achievements, the top of which was its high rank on Top 10 companies for the sustainable development of the manufacturing sector in Vietnam.

In the pride of its high regard in efficiency and quality of corporate governance, Vinamilk has applied many new, advanced governance methods for public companies. It is the endless innovations that made Vinamilk the sole Vietnamese company in the Top 50 Listed Companies in Asia – Pacific region (FAB 50) by Forbes Asia.

TOTAL REVENUE
VND 46,965
BILLION
COMPLETING 105% OF THE PLAN

Hence, 2016 ended up the tenure with impressive achievements highlighted by high profit and growth indicators of which Vinamilk could be proud. 2017, the first year of a new five-year tenure in 2017 - 2021, has started with drastic volatility of world-wide politics and economy. The Vietnam’s economy will likely encounter many impacts, changes and challenges in various areas. In the dairy manufacturing and sales industry in specific, prices of some main input materials have significantly increased, taking a toll on the business plans of almost all manufacturers. In preparation for this perspective, the BOD has teamed up closely with the BOM in building up suitable objectives and strategies as follows:

- » Commit to making aggressive investments and to becoming a high value-added company.
- » Intensify business presence and efficiency in international markets.
- » Emphasize and invest thoroughly to build sufficient human resources and business processes.

NET PROFIT AFTER TAX
VND 9,364
BILLION
COMPLETING 113% OF THE PLAN

On behalf of the BOD, I believe that with well-prepared and appropriate business strategies, flexible and concrete execution plans and other practical preparations, especially with a team of determined, responsible, bold, creative and collaborative staff, Vinamilk will surely reach the results as expected.

Finally, I would like to send sincere gratitude to members of the BOD, the BOM and the entire officials and staff of the Company for their infinite efforts to deliver outstanding results. I would also like to thank valued customers for your belief and support as well as partners and shareholders for your being with the Company over the past year.

Once again, I am confident that with Vinamilk’s values and culture, we will conquer all difficulties and challenges to achieve great success in our manufacturing and sales activities. Vinamilk will materialize the Vietnam Dairy Dream.

On behalf of the BOD
Chairwoman



Le Thi Bang Tam

*Starting with
three factories...*



VINAMILK

A forty-year story

VINAMILK A FORTY-YEAR STORY

A memorable 40th birthday anniversary

At 20:00 on 20 August 2016, an event held at My Dinh National Convention Center in Hanoi City made a strong impression on all audiences and millions of television viewers. The event was broadcasted live on VTV1, Vietnam Television Channel. It was the 40th birthday anniversary of Vietnam Dairy Products Joint Stock Company ("Vinamilk") with the main theme of "Vietnam Dairy Dream". The celebration, with attractive and special content, has evoked a strong emotion in Vietnamese people's minds, which is "So proud of Vietnam!"

Over 40 years of development with many ups and downs and challenges, it can be said that Vietnamese people could be proud that a Vietnamese corporation, with Vietnamese effort, will and wisdom, has proved its stature and competence as well as any other big corporation in the world.

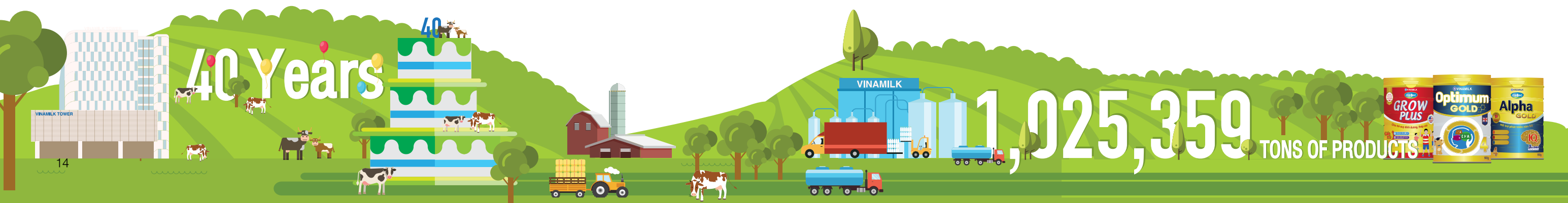


The 40th birthday anniversary of Vinamilk (1976 - 2016)

Marvelous growth and achievements

Compared with early years of establishment, Vinamilk has accomplished an admirable growth. Business results in 2016 indicated that total production volume reached 1,025,359 tons. Accordingly, the Group's consolidated revenue for 2016 hit VND46,965 billion, a robust seven-fold leap from VND6,289 billion of 2006 when listed on HOSE, translating into a strong compound annual growth rate (CAGR) of 22.3%. Consolidated net profit before tax for 2016 achieved a gigantic figure of VND11,238 billion, which is nearly 17 times higher than 2006's pretax profit of VND663 billion, implying an impressive CAGR of around 32.7%.

With these results, tax contribution to the state budget in 2016 amounted up to VND4,131 billion. The Company has always been in the Top 10 Private Companies contributing the most to the state budget in recent years.



From the first batch of milk to a diversified and customized product portfolio

Starting with only two product categories and a few featured products, Vinamilk thus far has had 10 product categories (liquid milk, yogurt, powdered milk, nutrition powder, oat-cocoa, condensed milk, ice-cream, cheese, soya milk and beverages) with more than 250 SKUs to meet the market's diverse demand. Our motto is to provide the international high-end quality with respect and love to consumers.



The first batch of milk was being tested by the Company's Leaders...



And the burst of joy when the first batch was successful!

Beginning with condensed milk and ice cream products, Vinamilk supplied the first made-in-Vietnam powdered milk in the late 1980s. In the early 1990s, thanks to breakthroughs in the production of sterilized fresh milk and yogurt on an industrial and modern scale, Vinamilk transformed Vietnamese consumers to a new era with diversified dairy products for children and consumers of all ages.



Condensed milk and ice cream at the first place

With product innovation and development on an annual basis, Vinamilk's product portfolio has continuously been augmented by nutritious, tasty products that are kept up with global trends in Vietnam market.



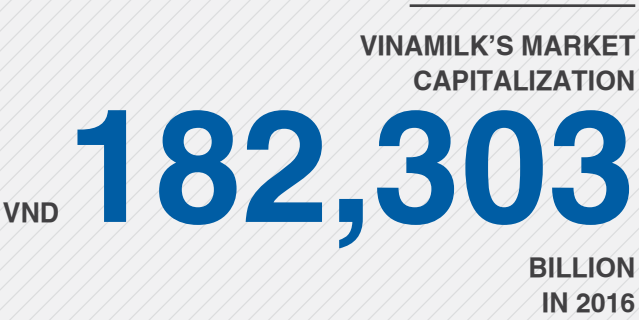
The first powdered milk cans to be exported

(See the list of Vinamilk's featured products from page 26 to 45)

A proud journey

In the position of the leading dairy company in Vietnam with products being exported to more than 43 countries around the globe and awarded a series of prestigious prizes from reputable national and international organizations: Vietnam's Top 50 Best Listed Company (Forbes), Vietnam - ASEAN Best Corporate Governance Award, Top 10 Sustainable Businesses in Vietnam 2016, very few people are aware that Vinamilk actually started from a very modest base.

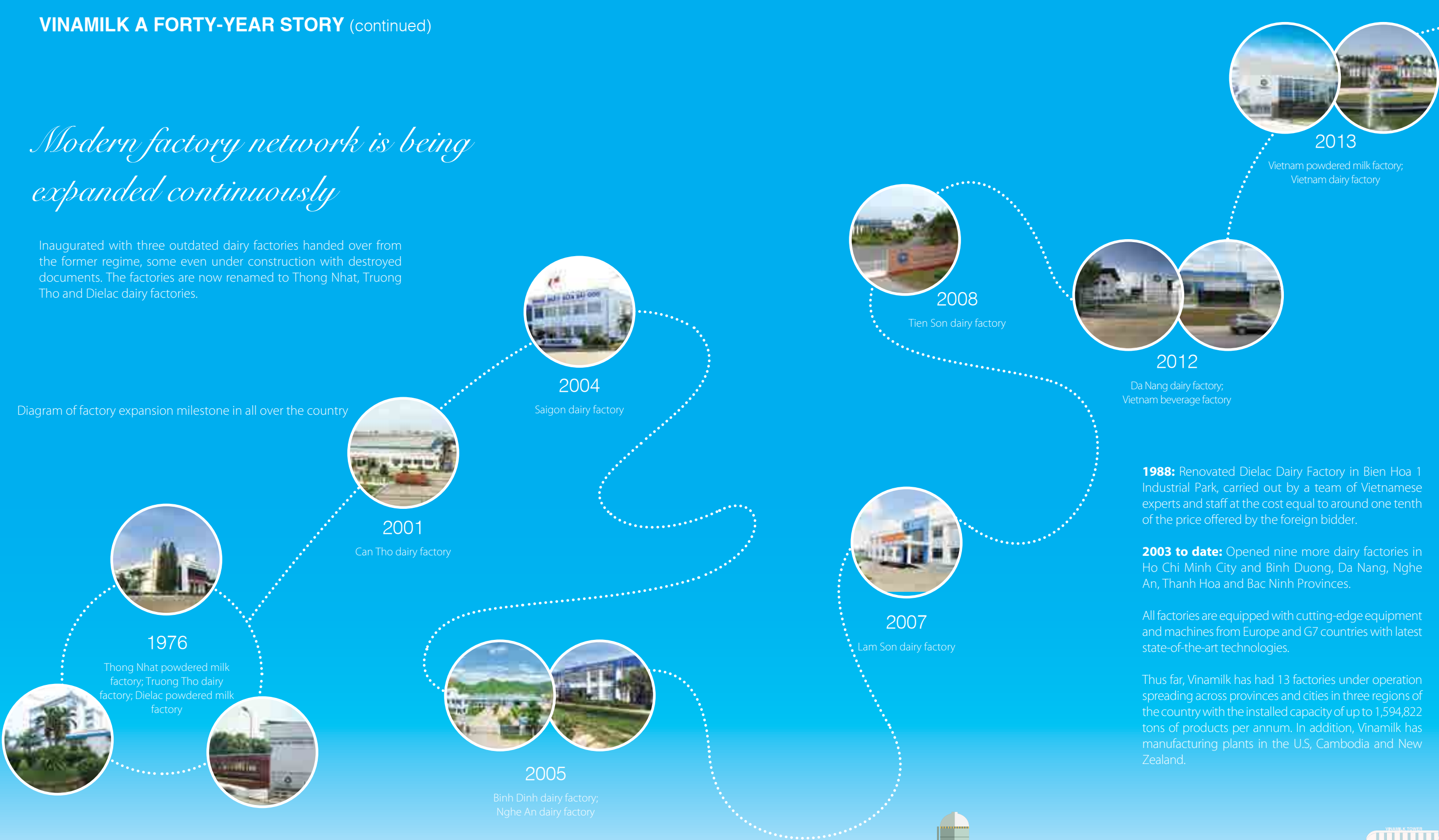
Beginning with a small amount of capital in a very difficult times of the country, Vinamilk's charter capital rose to VND1,500 billion in 2003 when it was equitized. 13 years after the equitization, Vinamilk's market capitalization was up to VND182,303 billion, equivalent to USD8 billion, a 78.6 folds jump from the time of equitization in 2003 (VND2,318 billion).



Modern factory network is being expanded continuously

Inaugurated with three outdated dairy factories handed over from the former regime, some even under construction with destroyed documents. The factories are now renamed to Thong Nhat, Truong Tho and Dielac dairy factories.

Diagram of factory expansion milestone in all over the country



1988: Renovated Dielac Dairy Factory in Bien Hoa 1 Industrial Park, carried out by a team of Vietnamese experts and staff at the cost equal to around one tenth of the price offered by the foreign bidder.

2003 to date: Opened nine more dairy factories in Ho Chi Minh City and Binh Duong, Da Nang, Nghe An, Thanh Hoa and Bac Ninh Provinces.

All factories are equipped with cutting-edge equipment and machines from Europe and G7 countries with latest state-of-the-art technologies.

Thus far, Vinamilk has had 13 factories under operation spreading across provinces and cities in three regions of the country with the installed capacity of up to 1,594,822 tons of products per annum. In addition, Vinamilk has manufacturing plants in the U.S, Cambodia and New Zealand.



*Pride with the hi-tech
dairy cow farming model*

Decades ago, very few could think that dairy cow farming on an industrial scale in Vietnam could be able to reap any efficiency. Having started with the acquisition of an inefficient dairy cow farm in Tuyen Quang, Vinamilk now has a modern farming system with total herd of 17,500 cow heads. With this efficient and successful model, Vinamilk has continued to invest in two additional mega high-tech dairy cow farms in Tay Ninh and Thanh Hoa provinces with designed capacity of 8,000 cow heads and 16,000 cow heads respectively. Tay Ninh farm has been operating since 2016 and the hi-tech dairy cow farm complex in Thanh Hoa shall be commissioning in 2017.

The year of 2016 marked an outstanding advance in dairy cow farming as for the first time Vinamilk has successfully developed an organic dairy cow farming model – the farming and breeding technique that requires strict technical standards from Europe and the U.S, keeping the Company up with the global trend of using natural and organic products.



Organic dairy cow farm in Lam Dong

*Sustainable and
responsible development*

As one of the leading corporation in Vietnam, Vinamilk is clearly aware of its impact on community as well as sustainable development of the society. Vinamilk deeply understands that success is not only providing quality and absolutely safe product at international standards to consumers, generating thousands of billions of profit, creating more incremental value to shareholders and making contribution of tens of thousands of billion to the state budget, but also balancing with other core and long-term values:

» Create a safe and healthy working environment for all employees.

- » Invest intensively in the whole factory and farming system to ensure the safety of the environment.
- » Provide direct and indirect employment for 10,474 people.
- » Support and procure raw fresh milk from more than 7,660 farming households across the country.

» Implement various programs and social activities on a regular basis such as: bringing milk to school program, “Stand Tall Vietnam” Milk Fund, “One Million Trees For Vietnam” Fund and other charitable activities to help the poor and the victims of natural disasters and flooding.



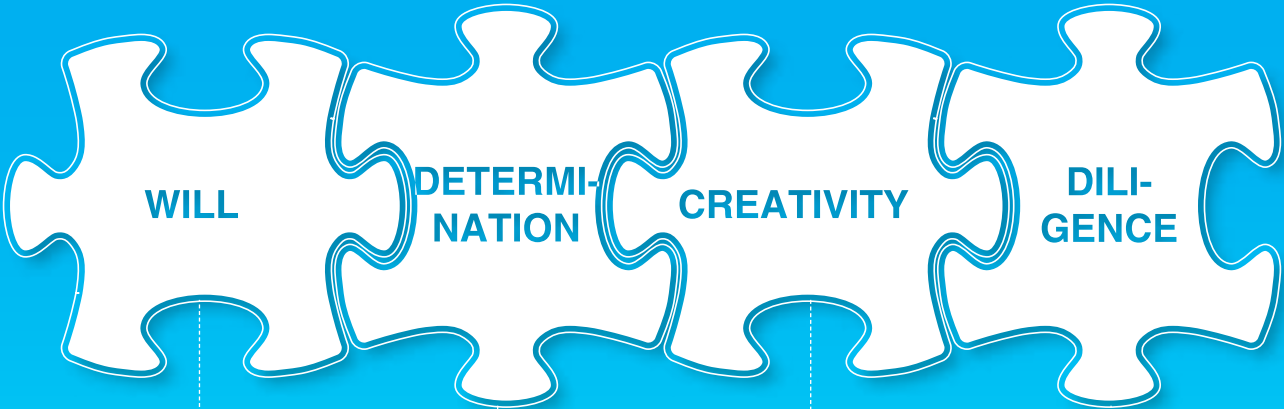
*Lean and efficient organizational structure
with a team of highly competent,
determined and creative staff*

Over 40 years of establishment and development, becoming one of the leading brands in Vietnam and expanding presence to international market, human resource is identified as a key determinant of Vinamilk's development and success. Generations of leaders and executives with talented, wise and brave leadership, together with a team of highly competent, determined and creative staff are all for the common vision and development of Vinamilk. We are together to overcome challenges with a clear motto:

» Ethics: integrity, fairness, transparency;

» Spirit: will, determination, creativity and diligence at work.

These "Vinamilkers" have ran a corporation at a Group level but with a lean and efficient structure. In order to gain such achievements, Vinamilk's staff keep on searching for, learning and applying state-of-the-art management tools and techniques. They always keep in mind that being the pioneer in management and practice is part of "Vinamilk's corporate cultures".



SPRIT



SHARES AND SHAREHOLDERS INFORMATION

Shares and Shareholders' structure

As at 31 December 2016, The Company’s number of shares is as below:

- » Total issued and listed shares : 1,451,453,429 shares.
- » Treasury shares : 27,100 shares.
- » No. of the outstanding shares : 1,451,426,329 shares.
- » Par value : VND10,000 per share.
- » Company’s capitalization value : VND182,303 billion.

Detailed information of the Company’s shareholders structure was calculated, based upon the latest shareholder list recorded on 22 August 2016 with update of SCIC’s holding as at 31 December 2016:

	No. of shares	Ownership (%)	No. of shareholders
The State shareholder (SCIC)	570,886,596	39.33%	1
Major shareholders (>= 5%)	237,367,233	16.35%	2
» Local	-	-	-
» Foreign	237,367,233	16.35%	2
Treasury shares	27,100	0.00%	1
Other shareholders (<5%)	643,172,500	44.32%	16,491
» Local	109,989,087	7.58%	15,182
» Foreign	533,183,413	36.74%	1,309
TOTAL	1,451,453,429	100.00%	16,495
In which:			
» Local	680,902,783	46.91%	15,184
» Foreign	770,550,646	53.09%	1,311

The Company officially completed the necessary procedures to remove the foreign ownership limit on 22 July 2016. Accordingly, it is allowable for the foreign investors to own up to 100% the Company’s share capital.

THE TOTAL OF NEW
SHARES WERE ISSUED IN 2016

250,791,236
SHARES

Share issue in 2016

To execute the contents of the 2016 AGM’s Resolution, the Company has two rounds of share issue during the year as follows:

- i) Issue of shares under the Company’s Employee Share Ownership Plan (“ESOP”):
 - » No. of shares issued: 8,887,731 shares
 - » Price of issue : VND37,720 per share
 - » Date of issue : In July 2016
- ii) Issue of bonus shares to the existing shareholders:
 - » Record date : 22 June 2016
 - » Ratio of 1:5, which means that for five (5) ordinary shares held at record date, one (1) bonus share is given.
 - » No. of share issued: : 241,903,505 shares

As a result, the total of 250,791,236 new shares were issued and listed on HOSE in 2016.

Treasury share transactions

- » The treasury shares at the beginning of the year of 522,795 shares were distributed to its employees under the ESOP in July 2016 with the price at VND37,200 per share.
- » During the year, the Company also purchased back 27,100 ESOP shares. This was also the treasury as at 31 December 2016.



THE LIST OF
VINAMILK'S FEATURED PRODUCTS

MORE
THAN **250**
SKUS WITH MAIN PRODUCT CATEGORIES:

- ◆ Liquid milk
- ◆ Yogurt
- ◆ Powdered milk and nutrition powder
- ◆ Condensed milk
- ◆ Ice-cream, cheese
- ◆ Soya milk, fruit juice and beverages



TRANG TRẠI BÒ SỮA



Organic

ĐẦU TIÊN TẠI VIỆT NAM



*Theo công văn xác nhận của Control Union Việt Nam
Công ty Cổ Phần Sữa Việt Nam - 10 Tân Trào, Phường Tân Phú, Quận 7, TP.HCM Việt Nam



SỮA TƯƠI 100%

Organic

ĐẦU TIÊN TẠI VIỆT NAM



*Theo công văn xác nhận của Control Union Việt Nam
Sữa tươi tiệt trùng không đường nhãn hiệu VINAMILK 100% Organic
Công ty Cổ Phần Sữa Việt Nam - 10 Tân Trào, Phường Tân Phú, Quận 7, TP.HCM Việt Nam



LIQUID MILK



FRESH MILK 100%



EU Certified Organic
Fresh Milk 100%



Pasteurized
Fresh Milk 100%



UHT Fresh
Milk 100%



UHT Fresh Milk 100% imported
from New Zealand



FORTIFIED MILK



For children: ADM GOLD



For adults: Flex



“DAILY NUTRITION” UHT MILK



Fino



TONIC FOOD DRINKS



Super Susu cocoa malt
tonic food drink



CÔNG NGHỆ MEN
HIỆN ĐẠI
CHÂU ÂU



SỮA CHUA VINAMILK

BÍ QUYẾT NGON KHOẺ
~ TỪ THIÊN NHIÊN ~



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

YOGURT



YOGURT



Natural Yogurt



Yogurt from Fresh Milk 100%



Aloe Vera & Pomegranate
Yogurt



ProBeauty



Probi



Susu



'Star' Yogurt

Sữa chua uống Vinamilk



*Vị thật ngon
Da thật đẹp*



Sữa chua uống Vinamilk Nha Đam mới
với hạt nha đam giòn dai hòa quyện
cùng sữa chua ngon tuyệt.



Công ty Cổ phần Sữa Việt Nam (Vinamilk) - Số 10, Tân Trào, Phường Tân Phú Quận 7, TP.HCM - Điện thoại: (08)541 55555 - Fax: (08)541 61220

DRINKING YOGURT



DRINKING YOGURT



Vinamilk



SuSu



Probi



**BÉ HẤP THU KHỎE,
PHÁT TRIỂN TRÍ NÃO TỐT HƠN**



Con vẽ tặng Mẹ
một bức tranh đẹp



Mới
+20% DHA
từ tảo và dầu cá



**CHO TRẺ SUY DINH DƯỠNG
THẤP CÒI, BIẾNG ĂN
BẮT KỊP ĐÀ TĂNG TRƯỞNG**



(*) Theo báo cáo "Hiệu quả bổ sung dielac Grow Plus lên tình trạng dinh dưỡng, vi chất, tiêu hóa và nhiễm khuẩn hô hấp của trẻ 2 - 5 tuổi suy dinh dưỡng thấp còi tại Tuyên Quang", năm 2016.

Trí nhớ tốt,
bé thông minh

3xDHA
Phát Triển Trí Não

LUTEIN

2xCHOLIN
Hỗ Trợ Trí Nhớ

HỆ DƯỠNG CHẤT IQ

MILK POWDER and BABY CEREAL



MILK POWDER FOR CHILDREN



Optimum Gold



Pedia



Dielac Grow Plus



Dielac Alpha Gold



Dielac Alpha



Dielac Grow



RIDIELAC BABY CEREAL



Multipack



Sweet Variants



Savoury Variants

THEO KHUYẾN NGHỊ
CỦA
FDA
HOA KỶ

VINAMILK

Sure
Prevent

PHỤC HỒI SỨC KHỎE,
VẸN TRÒN NIỀM VUI





Vinamilk Sure Prevent – Sản phẩm dinh dưỡng đặc biệt phù hợp với người có vấn đề tim mạch, xương yếu, mệt mỏi, ăn ngủ kém.



Thực phẩm bổ sung: Sản phẩm dinh dưỡng đặc biệt
Vinamilk Sure Prevent

* Theo khuyến nghị của FDA Hoa Kỳ, thực phẩm chứa ít nhất 0,65g các Sterol Ester thực vật (Plant Sterols) trên 01 khẩu phần với liều dùng 02 lần mỗi ngày, cùng chế độ ăn ít béo no và ít cholesterol giúp giảm nguy cơ mắc bệnh tim mạch. 01 ly Vinamilk Sure Prevent cung cấp 0,65 g (100%) các Sterol Ester thực vật.

MILK POWDER

MILK POWDER FOR ADULTS

Health recovery for the Elderly

Daily Nutrition

For strong bones & healthy joints

Diabetes Care

MILK POWDER FOR MOMS

Digestion & Resistance

Healthy Pregnancy



DAIRY OTHERS



SWEET CONDENSED MILK & CREAMER



Southern Star



Ong Tho



ICE-CREAM



Vinamilk



Subo



Delight



Twin Cows



Nhoc Kem



Nhoc Kem Oze



CHEESE



Vinamilk Bo Deo No



BEVERAGES & SOYA



SOYA MILK



Vinamilk Double Calcium



Vinamilk Pure



FRUIT JUICE



Vfresh Fruit Juice & Nectars



Vfresh Smoothies



BEVERAGES



Vfresh Aloe Vera



Icy Salty Lemonade



Vfresh Acerola



Icy Purified Water



Vfresh Artichoke

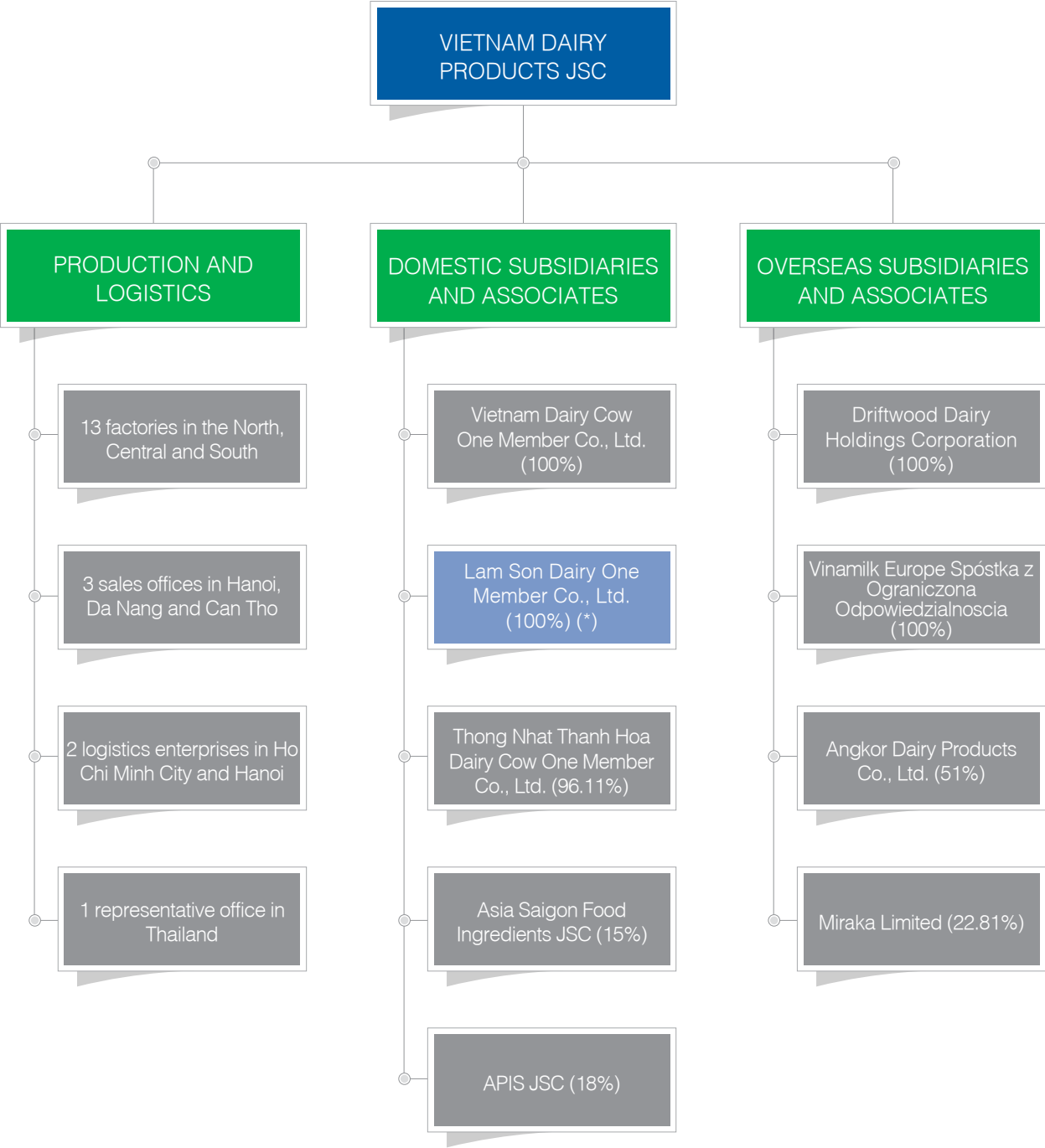
ORGANIZATION STRUCTURE AND MANAGERIAL APPARATUS



ORGANIC
TOP OF QUALITY

VINAMILK IS THE FIRST DAIRY COMPANY IN VIETNAM TO PRODUCE PREMIUM 100% ORGANIC FRESH MILK UNDER THE EUROPEAN STANDARD. THE ORGANIC MILK PRODUCT MARKS A SPECTACULAR TRANSFORMATION OF VINAMILK ON THE JOURNEY OF INTEGRATION INTO THE GLOBAL DAIRY MARKET AND PIONEERS TO OPENING THE NEW ORGANIC TREND IN DOMESTIC MARKET

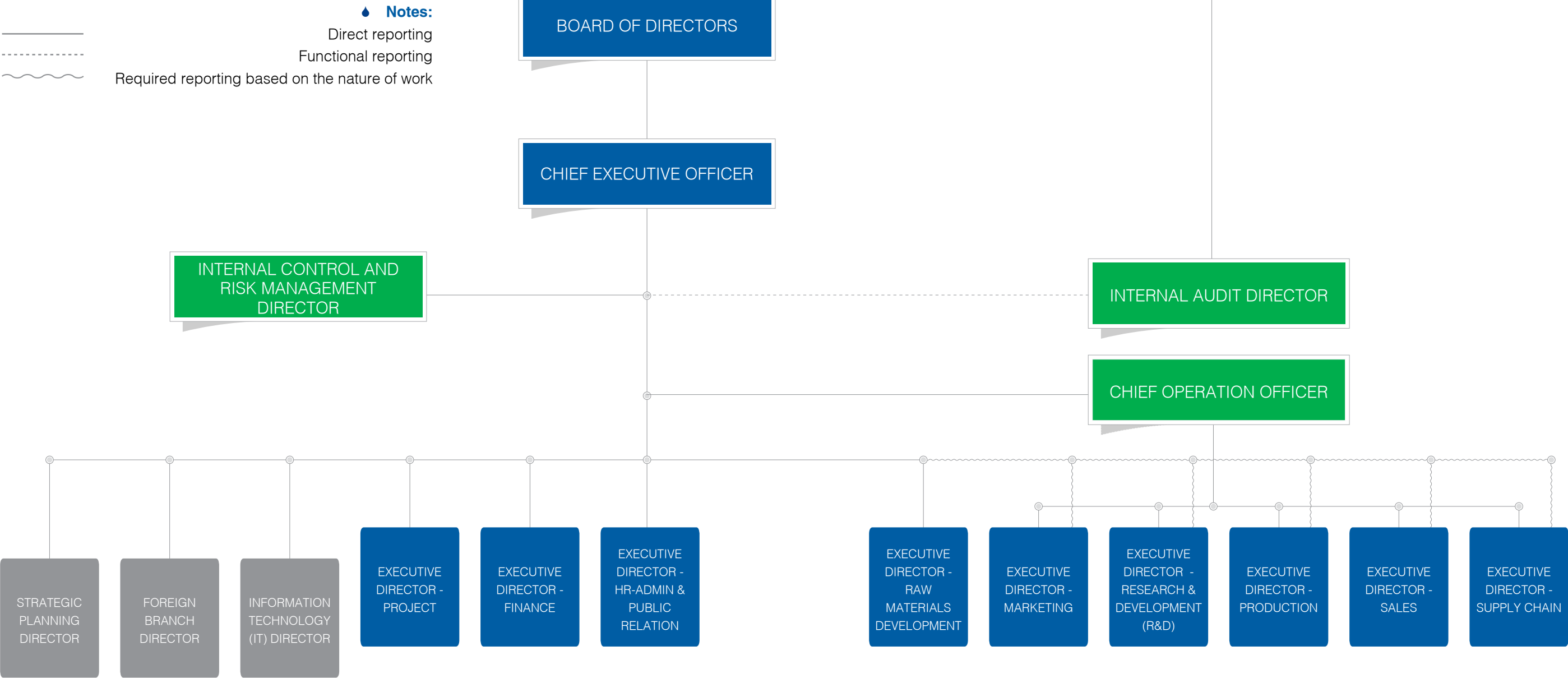
CORPORATE
MODEL



(*): This company was merged and became a subsidiary of Vinamilk since Feb/2017

ORGANIZATION CHART
AND MANAGERIAL APPARATUS

Organizational apparatus in 2016:



The Resolution of the Annual General Meeting in 2013 approved the Board composition of 7 members. However, the vacancy has not been fulfilled and the current BOD includes:

THE BOARD OF DIRECTORS (“BOD”)

- ✓ **MS. LE THI BANG TAM**
Chairwoman, Independent BOD member
- ✓ **MS. MAI KIEU LIEN**
BOD member cum Chief Executive Officer
- ✓ **MR. LE SONG LAI**
Non-Executive BOD member
- ✓ **MR. LE ANH MINH**
Non-Executive BOD member
- ✓ **MS. NGO THI THU TRANG**
BOD member cum Executive Director – Project
- ✓ **MR. LEE MENG TAT**
Non-Executive BOD member

Changes of the Board in the year:

Mr. Ng Jui Sia, a Non-Executive BOD member, has resigned since 1 September 2016. The BOD has temporarily appointed Mr. Lee Meng Tat as the board member in place of Mr. Ng Jui Sia from the 1 September 2016. The official appointment shall be approved at the next AGM.



- ✓ **MS. LE THI BANG TAM**
Chairwoman
Head of Human Resources Committee
Member of Allowance Committee
Independent BOD member

Born in 1947, independent BOD member from April 2013 and then the Chairwoman from July 2015 up to now.

Professional qualifications

- » PhD in Economics, Leningrad Institute of Finance and Economics, the Soviet Union.
- » Certificate of International Finance, North University London, the United Kingdom (2011).
- » Bachelor of Finance and Accounting, Hanoi University of Finance and Accounting.
- » Certificate of corporate governance.

Experience

- » She has long experience in corporate management, finance, State management and other fields.
- » From 2006 to present: she has participated in the BOD of many different companies, such as Chairwoman of SCIC, board member and Chairwoman of HD Bank.
- » She is a member, adviser to important institutions: State Securities Commission, the National Monetary Policy Council.

- » She is also a member of the Committee of International Economic Cooperation, Steering Committees for ODA, Foreign Investment and key projects of the Government.
- » From 1995 to 2006: Deputy Minister, Member of Civil Affair committee - Ministry of Finance.
- » In more than 20 years (1974 - 1995), she had been in charge of different management positions: Deputy Head, Financial Balance Department, Deputy Director General of Department of Personnel and Training; Deputy Director, Director and General Director, the State Treasury.
- » She was Lecturer, Hanoi University of Finance and Accounting from 1969 to 1974.

Her position at other entity

- » Chairwoman, HD Bank.

THE BOARD OF DIRECTORS (“BOD”) (continued)



MS. MAI KIEU LIEN
BOD member cum Chief Executive Officer
Member of Human Resources Committee
Member of Business Strategy Committee

Born in 1953. Ms. Lien has been a member of the BOD since November 2003 and the CEO since December 1992.

Professional qualifications

- » Certificate of Economics Management, Leningrad Institute of Engineering and Economics.
- » Certificate of Government Management, National Academy of Politics, Vietnam.
- » Engineer in Meat and Milk Processing, Moscow State University.
- » Certificate of corporate governance.

Experience

- » She has been a member of the BOD in three consecutive terms since 2003.
- » She has more than 25 years of experience in the role of CEO leading Vinamilk through many tenures. She has been honorable awarded many local and international prizes such as First-class Labour Medal, Asia's Top 50 Most Powerful Businesswomen for three consecutive times (2012 - 2014) by

Forbes, The Excellent Businesswomen (2014) by Corporate Governance Asia Journal.

- » Previously, she had more than 8 years (1984 - 1992) in the role of Deputy CEO - Economics at Vinamilk.
- » From 1976 to 1983: she had experienced many positions in many different departments at many factories and then become Deputy Technical Director at Thong Nhat Dairy Factory in 1982

Her positions at other entities

- » BOD member, Miraka Limited.
- » BOD member, Driftwood Dairy Holdings Corporation.
- » Chairwoman, Vietnam Dairy Cow One Member Co., Ltd.
- » Chairwoman, Thong Nhat Thanh Hoa Dairy Cow Co., Ltd.
- » Owner's representative, Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia



MS. NGO THI THU TRANG
BOD member cum Executive Director - Project
Member of Business Strategy Committee
Member of Risk Management Committee

Born in 1963. She joined Vinamilk in 1985 and became a BOD member since November 2003.

Professional qualifications

- » Master of Business Administration.
- » Bachelor of Finance and Accounting.
- » Certificate of corporate governance.

Experience

- » She has been a BOD member in three consecutive terms since 2003.
- » She has more than 17 years of experience (1998 - 2015) at the management role of the Finance and Accounting Department and Finance Division at Vinamilk: Head of the Accounting - Statistic Department, Chief Accountant, Deputy General Director cum Chief Financial Officer.
- » Previously, from 1985 to 1997, she held many positions and then became the Deputy Head of the Accounting - Statistic Department in 1998.

Her position at other entities

- » BOD member, Bao Viet Joint Stock Commercial Bank.



MR. LE SONG LAI
Non-Executive BOD member
Head of Business Strategy Committee
Member of Human Resources Committee

Born in 1968. He has been a non-executive BOD member since March 2012.

Professional qualifications

- » Master of Laws, Cambridge University, the United Kingdom (1998).
- » Certificate of corporate governance.

Experience

- » He has many years of experience in corporate management, state management, insurance law and other fields.
- » He is currently the Chairman and member of the BOD of many large corporations such as FPT Corp., Bao Minh Insurance JSC.
- » He has more than ten years in the role of Deputy CEO, SCIC.
- » From 2006 to 2016: Insurance Department, Ministry of Finance.
- » He was a Lawyer, Freshfields Law firm, Ha Noi branch from August 1994 to October 1996.

His positions at other entities

- » BOD member, Bao Minh Joint Stock Corporation.
- » Chairman, Vietnam National Reinsurance Corporation.
- » BOD member, FPT Joint Stock Company.
- » Chairman, Trang Tien Investment and Trading Co., Ltd.
- » Chairman, SCIC Investment One Member Co., Ltd.

THE BOARD OF DIRECTORS (“BOD”) (continued)



MR. LEE MENG TAT
Non-Executive BOD member
Head of Risk Management Committee
Member of Allowance Committee

Born in 1963, BOD member since September 2016.

Professional qualifications

- » 1988: Bachelor of Engineering (Mechanical), National University of Singapore.
- » 1997: Master of Business Administration (MBA), Imperial College, London.
- » 2005: Advanced Management Programme (AMP), Harvard Business School.
- » Certificate of corporate governance.

Experience

- » He has many years of experience in corporate and economics management at both private and public institutions.
- » Since 2015 to date, he has been a BOD member of Fraser and Neave Holdings Berhad.
- » In 18 years (1997 - 2015), he held senior management roles at consumer goods and entertainment companies such as Fraser and Neave, Heineken-APB (China) Management Services Co. Ltd, Asia Pacific Breweries Ltd, Wildlife Reserves Singapore Group.
- » From 1994 to 1996: he was Deputy Director, Regional Tourism, Singapore Tourism Board.
- » Previously, he was Assistant Head, International Business Development, Singapore Economic Development Board from 1993 to 1994.

His positions at other entities

- » Chief Executive Officer, Non-Alcoholic Beverages (NAB), Fraser & Neave Ltd.
- » Board member of Fraser & Neave Holdings Berhad.



MR. LE ANH MINH
Non-Executive BOD member
Head of Allowance Committee
Member of Risk Management Committee

Born in 1969, non-executive BOD member since March 2012.

Professional qualifications

- » Master of Business Administration (Corporate Finance And International Banking), Wharton Business School, University of Pennsylvania, USA.
- » Postgraduate, Fulbright Program (1996 - 1998).
- » Member of CPA - Australia.
- » Bachelor, University of Banking, Vietnam.
- » Certificate of corporate governance

Experience

- » Mr. Minh has profound professional experience in finance, banking and investment.
- » In 15 years from 2002 to date, he has been through many senior management positions at Dragon Capital Limited such as: CFO, Deputy CEO, CEO.
- » From 1996 to 2000: he was Chief Financial Officer in charge of Indochina sub-region, Coca Cola Group.
- » Previously, he was Deputy General Director, Dai Nam Bank.

His position at other entities

- » CEO, Dragon Capital Limited.
- » Vice Chairman of the BOD, Ho Chi Minh City Securities JSC (HSC).
- » Member of the Investment Council, some investment funds and securities companies.



THE INSPECTION
COMMITTEE (“the IC”)

The IC currently consists of the following members:

- ✓ **MR. NGUYEN TRUNG KIEN**
- ✓ **MS. NGUYEN THI TUYET MAI**
- ✓ **MR. VU TRI THUC**

“ ON 7 NOVEMBER 2016, THE COMPANY RECEIVED THE RESIGNATION LETTER FROM MR. NGUYEN DINH AN ON LEAVING THE IC FOR PERSONAL REASONS. ”



✓ **MR. NGUYEN TRUNG KIEN**
Head of IC

Born in 1976, Member of the IC since March 2009.

Professional qualifications

- » Master of Business Administration, University of Chicago, USA (2008).
- » Bachelor of Applied Finance, Macquarie University, Australia (1999).
- » Bachelor of Commerce, Macquarie University, Australia (2000).

Experience

He has many years of experience in corporate governance, investment, finance and other fields. He has held many positions at other institutions:

- » From 2011 up to now: Director, MDKT Co., Ltd.
- » He is a founder and CEO of TNK Capital, Viet Nam from 2008 to 2011.
- » From 2001 to 2007: he was working in banking sector, responsible for corporate development – analysis and execution in the M&A activities, investment and structured finance for many foreign institutions such as Temasek Holdings – Singapore, OCBC Bank (Singapore), Commonwealth Bank (USA) and Credit Suisse First Boston – Singapore.



✓ **MS. NGUYEN THI TUYET MAI**
Member

Born in 1969. Member of the IC since April 2013.

Professional qualifications:

- » Bachelor of English Linguistics and Literature, Hanoi University of Foreign Studies, Vietnam.
- » Master in Business Administration, University of Melbourne, Australia.

Experience

- » She has over 20 years of experience in financial consulting, finance. She used to hold management positions at domestic and foreign credit institutions. In addition, she was the Company's Head of IC in 2007 - 2011 term.
- » She is currently Corporate Finance Director, Vinaconnect Co. Ltd., a member of Openasia Group since June 2007.
- » From 2004 to 2007: she was a senior manager at representative office, Openasia Consulting (Vietnam) Ltd.
- » In addition, she had more than 10 years of experience in banking sector: Head of Credit Department, Commodity and International Trade, ANZ Bank, Singapore, Head of International Trade Department and Head of Corporate Banking Department, ANZ Bank - Hanoi Branch, Viet Nam.



✓ **MR. VU TRI THUC**
Member

Born in 1976. Member of the IC since April 2013.

Professional qualifications:

- » Master of Business Administration, French-Vietnamese Center for Management Education (CFVG Ha Noi).
- » Bachelor of Economics (major in accounting), Hanoi University of Finance and Accounting (now is Hanoi Academy of Finance).
- » CPA certificate awarded by the Ministry of Finance.

Experience

He is very experienced in accounting, auditing and finance:

- » From April 2007 to date: he has been with Finance and Accounting Department (SCIC) and now Manager of the Department.
- » From 2008 to 2009: he was Deputy General Director cum Chief Accountant of Vietnam – Oman Investment JSC.
- » From 1999 to March 2007: he was Auditor, Audit Manager, Vietnam Auditing Company - a member of Deloitte Vietnam.
- » In addition, he is now holding positions of board member at Trang Tien Investment and Trading Co. Ltd, Ha Giang Mineral Mechanics JSC. He is also a Member of Vietnam Association of Certified Public Accountants (VNCPA).

THE COMPANY SECRETARIAT



✔ **MR. NGUYEN THANH TU**
Company Secretariat
Head of Administration Division

Born in 1954. He joined Vinamilk in 1992 and has held the position of Company Secretariat since 2005 until now.

Professional qualifications

- » Bachelor of Laws, major in Economics, Ha Noi University of Laws (1991).
- » Bachelor of History, Ho Chi Minh City General University (1994).

Experience

- » From 2005 to date, he has been Head of Administration Division, Vinamilk.
- » Previously, from 1992 to 2004, he held the positions of Deputy Head of Administration Division and was then promoted to Head of Administration Division, Vinamilk.



✔ **MS. LE QUANG THANH TRUC**
Company Secretariat
Director of Foreign Subsidiaries Management

Born in 1975. She joined Vinamilk in 2005 and has held the position of Company Secretariat since 2005 until now.

Professional qualifications

- » Master of Development Economics, the cooperation program between the Institute of Social Studies of Erasmus University, Holland and the University of Economics of Ho Chi Minh City (2000).
- » Bachelor of English Linguistics and Literature, University of Social Sciences and Humanities (1999).
- » Bachelor of Business Administration, major in Foreign Trade, University of Economics of Ho Chi Minh City (1998).
- » Certificate of corporate governance.

Experience

- » She has held the position of Director of Foreign Subsidiaries Management since August 2015.
- » Over 10 years of experience (2005 - 2015), she had experienced many positions at the Finance – Accounting Department such as Financial Analyst, Investor Relations Manager, Financial Investment Manager, Investment Director.
- » Prior to joining Vinamilk, she used to hold such positions as Project Director, then General Director of I.C Investment JSC, Deputy Manager of Advisory Department of Saigon Securities JSC (SSI).



✔ **MR. NGUYEN TRUNG**
Company Secretariat
Executive Director – Strategic Planning

Born in 1973. He joined Vinamilk in 1994 and became a Company Secretariat from April 2012.

Professional qualifications

- » Master of Business Administration (Executive MBA), the Université du Québec à Montréal (2014).
- » Bachelor of Accounting, Ho Chi Minh City University of Accounting and Auditing (1994).
- » Certificate of Sustainable Development, Sweden Institute (2016).
- » Certificate of corporate governance.

Experience

- » He has been Executive Director – Strategic Planning since 2014 to date.
- » He has more than 7 years of experience (2007 - 2014) as Director of Internal Control and Risk Management. This position also takes care of the Legal Division. When holding these positions, he led the compiling of the Code of Conducts for the Company.
- » He is a representative of Vinamilk to Asian Corporate Governance Association (ACGA). He used to take a training course of Company Secretariat hosted by International Finance Corporation (IFC).
- » Previously, he spent more than 14 years at the Finance – Accounting Department of Vinamilk, holding such positions as Accountant in charge of asset – material – and construction, General Accountant, responsible for preparing financial statements.

INTERNAL AUDIT (THE “IA”)



✔ **MS. TA HANH LIEN**
Internal Audit Director and IC’s Secretariat

Born in 1980. She joined Vinamilk in 2007.

Professional qualifications

- » Bachelor of Economics - Major in Accounting and Auditing, Ho Chi Minh City University of Economics.

Experience

- » She has many years of experience in auditing, finance and planning and budget control.
- » She has been Internal Audit Director since November 2011 after completing the role of Coordinator for the project “Establish the Internal Audit Function” and received the transfer of international audit methodology from KPMG Vietnam Limited.
- » From 2006 to 2010, she worked at the Finance Division and held many different positions, especially Manager of Planning and Budget Control, Financial analysis supervisor.
- » Prior to joining Vinamilk, she was Auditor, Audit senior, KPMG Vietnam Co., Ltd. from 2002 to 2005.

THE BOARD OF
MANAGEMENT (“BOM”)



✓ **MS. MAI KIEU LIEN**
BOD member cum Chief Executive Officer
Member of Human Resources Committee
Member of Business Strategy Committee

(Please refer to “The Board of Directors”, page 52).



✓ **MR. MAI HOAI ANH**
Chief Operation Officer
cum Executive Director - Sales

Born in 1970. He joined Vinamilk in 1996 and was appointed as COO cum Executive Director – Sales since August 2015.

- Professional qualifications
- » Master of Business Administration, Bolton University, the United Kingdom (2012).
 - » Bachelor of Economics, University of Economics Ho Chi Minh City, Vietnam.

- Experience
- » He has held the position of COO over 2 years, managing general operations such as Marketing, Sales, Supply Chain, Production and Research and Development.
 - » He has also been Executive Director – Sales since 2012.
 - » Over 9 years of work (2003 - 2012), he had held many management positions at Import – Export Department such as Head of Import – Export Department, Director of Import – Export Department, responsible for export and import of materials.
 - » Previously from 1996 to 2003, he held the positions of Import – Export Clerk, Deputy Head of Import – Export Department.



✓ **MR. TRINH QUOC DUNG**
Executive Director - Raw Materials Development

Born in 1962. He joined Vinamilk in 2005.

- Professional qualifications
- » Engineer of Energy and Automation, Odessa University (under the former Soviet Union).

- Experience
- » He has been Executive Director – Raw Materials Development since 2014.
 - » Over 10 years at Vinamilk (2005 - 2014), he had held the Director positions at many factories such as Nghe An Dairy Factory, Vietnam Dairy Factory.
 - » Prior to joining Vinamilk, he was Director of Electricity Industrial Consulting and Investment Center in 6 years (1998 - 2005).
 - » From 1987 to 1998, he worked at different private and state companies, such as: Vinh City's People Committee, Department of Environmental Science and Technology – Nghe Tinh province (now Nghe An province and Ha Tinh province).

- His positions at other entities:
- » Director, Vietnam Dairy Cow One Member Co., Ltd. (a wholly owned subsidiary of Vinamilk).
 - » Director, Thong Nhat - Thanh Hoa Dairy Cow Co., Ltd. (a 96%-owned subsidiaries of Vinamilk).



✓ **MS. NGUYEN THI THANH HOA**
Executive Director - Supply Chain

Born in 1955. She joined Vinamilk in 1983.

- Professional qualifications
- » Bachelor of Milk processing technology, Moscow University of Meat and Milk Processing Technology (now called Moscow State University of Applied Biotechnology).

- Experience
- » She has been Executive Director – Supply Chain since 2015.
 - » Over the past 17 years (1999 to date), she has held many senior management positions at Vinamilk such as Deputy General Director, Executive Director – Production and R&D.
 - » Previously, from 1983 to 1999, she held different positions such as Process Engineer, Associate Director and then Director of Truong Tho Dairy Factory. From 1995, she was also the Vice Director of Ha Noi Branch.
 - » Prior to joining Vinamilk, she was a lecturer at Ho Chi Minh City Polytechnic University in 6 years (1878 - 1983).

THE BOARD OF MANAGEMENT (BOM) (continued)



✓ **MS. BUI THI HUONG**
Executive Director – HR, Admin and Public Relation

Born in 1962. She joined Vinamilk in 2005.

Professional qualifications

- » Bachelor of Russian language, major in interpretation, Orion Linguistics University (the former Soviet Union) (1985).
- » Bachelor of Economics - Business Administration and Labour Union, Labour Union University (2000).

Experience

- » She has been Executive Director – HR, Admin and Public Relation since 2015.
- » During over 10 years at Vinamilk (2005 - 2014), she had held such positions as Operation Manager of Foreign Affairs, Public Relation Director.
- » Prior to joining Vinamilk, Ms. Huong had been working more than 17 years at Dien Quang Light bulb Company. She used to be Head of Sales Department, Executive Director - Sales and Vice President of Sales.



✓ **MR. NGUYEN QUOC KHANH**
Executive Director - Research & Development

Born in 1964. He joined Vinamilk in 1988.

Professional qualifications

- » Engineer of Chemical Technique and Foods, Ho Chi Minh City University of Technology, Vietnam (1989).
- » Bachelor of Business Administration, University of Economics Ho Chi Minh City, Vietnam (1997).
- » Bachelor of English Linguistics and Literature, Ho Chi Minh City University of Social Science and Humanity, Vietnam (2001).

Experience

- » He has been Executive Director – Research and Development since 2015.
- » From 2009 to present: he has held many senior management positions at Vinamilk such as Executive Director – Supply Chain, Executive Director – Production, Executive Director – R&D.
- » Previously from 1988 to 2009, he had held many different positions at factories such as Thong Nhat Dairy Factory, Can Tho Dairy Factory and then Director of Can Tho Dairy Factory in 2004.



✓ **MR. LE THANH LIEM**
Acting Executive Director - Finance
cum Chief Accountant

Born in 1973. He joined Vinamilk in 1994.

Professional qualifications

- » Bachelor of Economics, major in Enterprise Financial Accounting, Ho Chi Minh City University of Finance and Accounting, Vietnam (2012).
- » Master of International Business and Finance, University of Leeds, Metropolitan, the United Kingdom (1994).

Experience

- » He has been Acting Executive Director – Finance cum Chief Accountant since 2015.
- » Previously, he has 12 years in management positions at Vinamilk: Assistant Manager – Accounting Department, Chief Accountant.
- » From 1994 - 2003: he experienced many different positions at the Finance - Accounting Department at Vinamilk.



✓ **MR. PHAN MINH TIEN**
Executive Director - Marketing

Born in 1970. He joined Vinamilk in 2014.

Professional qualifications

- » Bachelor, Moscow Institute of Management, Russia.

Experience

- » He has been Executive Director – Marketing at Vinamilk since May 2014.
- » Prior to joining Vinamilk, Mr. Tien had 17 years of experience in marketing and brand development for Fast Moving Consumers Goods (FMCG) products in large multinational corporations:
 - › Marketing Director – Samsung Vietnam (2013 - 2014).
 - › Deputy General Director in charge of Food Sector – Unilever Vietnam (2008 - 2013).
 - › Previously, he experienced many different management positions in Sales and Marketing at Unilever Vietnam (1996 – 2008).

THE BOARD OF MANAGEMENT (BOM) (continued)



✓ **MS. NGO THI THU TRANG**
BOD member cum Executive Director - Project
Member of Business Strategy Committee
Member of Risk Management Committee

(Please refer to “The Board of Directors”, page 53).



✓ **MR. TRAN MINH VAN**
Executive Director - Production

Born in 1960. He joined Vinamilk in 1981.

Professional qualifications

- » Master of Business Administration, Hanoi University of Science and Technology, Vietnam (2004).
- » Bachelor of Business laws, Hanoi Laws University, Vietnam (2001).
- » Bachelor of Business Administration, Ho Chi Minh City University of Economics, Vietnam (1994).
- » Bachelor of Mechanical Engineering, Ho Chi Minh City University of Technology, Vietnam (1989).

Experience

- » He has been Executive Director – Production at Vinamilk since December 2015.
- » In 10 years from 2006 to 2015, he had held many important management positions of Project Division: Deputy General Director in charge of project, Executive Director – Project.
- » In 25 years from 1981 to 2006: he was in charge of many different positions at Vinamilk’s factories and then became Director of Thong Nhat Dairy Factory in 1994.



TOTAL REVENUE
VND **46,965**
BILLION



BUSINESS PERFORMANCE REPORT DURING THE YEAR



ENHANCE PRODUCTION CAPACITY

TO MEET INCREASING DEMANDS, VINAMILK HAS CONTINUOUSLY DEVELOPED AND EXPANDED THE PRODUCTION SYSTEM WITH 13 FACTORIES IN DOMESTIC MARKET AND OVERSEAS SUBSIDIARIES AND ASSOCIATE COMPANIES. SIMULTANEOUSLY, VINAMILK HAS INVESTED IN HIGH TECHNOLOGY DAIRY COW FARMS TO GRADUALLY CONTROL AND SELF-SUPPLY RAW MATERIALS.

THE BOARD OF
DIRECTORS' REPORT

THE BOD'S OPERATION

According to the Company's Charter and Governance Regulations, the Board of Directors (BOD) is to set up an annual meeting schedule of at least four times a year. In addition, the Chairwoman can convene a regular BOD's meeting at any time deemed necessary, at least once a quarter. Apart from the four annual BOD's meetings mentioned above, the BOD also sought for approval by documents from the BOD's members in 2016. Accordingly, resolutions/ decisions made under this approach have the same effect and validity as others approved by the BOD's members at the annual meetings. The details are stipulated in Clause 13, Article 23 of the Charter.



THE BOD SUPERVISED AND DIRECTED BUSINESS OPERATIONS VIA REGULAR MEETINGS AND WRITTEN SURVEYS:

No.	Time	Main content	Results
1	29 Jan 2016	Summary of 2015 business operations, setting 2016 business plan and assessment of the BOD's and Board of Management's (BOM) performance in 2015.	The BOD approved: » Operating results in 2015 and Plans for 2016. » Performance bonuses for the BOD and BOM based on 2015 results.
2	8 Apr 2016	Summary of business operations in Quarter I/2016, planning for Quarter II/2016, discussion on the lifting of foreign ownership limit and preparation for the 2016's Annual General Meeting (AGM).	The BOD approved: » Operating results in Quarter I/2016 and Plans for Quarter II/2016; » The principle to lift the foreign ownership limit up to 100% by a schedule; » Land liquidation in Da Nang.
3	21 May 2016	Discussion on the foreign ownership limit at Vinamilk to report to the 2016 AGM.	The BOD approved the unlimited ownership of foreign investors at Vinamilk and implemented necessary procedures in accordance with the law to report to the AGM.
4	2 Aug 2016	Summary of business operations in Quarter II/2016, planning for Quarter III/2016 and appointment of new members to the BOD at Vinamilk Europe.	The BOD approved: » Operating results in Quarter II/2016 and Plans for Quarter III/2016 » New BOD's members at Vinamilk Europe.
5	20 Aug 2016	Discussion on procedures to increase the Company's charter capital in accordance with the law.	The BOD agreed to implement procedures to increase the Company's charter capital in accordance with the law: » Increased charter capital by VND88,877,310,000 to VND12,095,499,240,000. » Execution time: 2016 » Assigned Vinamilk's CEO to complete all registration procedures.
6	16 Dec 2016	Summary of business operations in 10 months of 2016 and planning for 2017.	The BOD approved: » Operating results in 10 months of 2016 and orientation of business plans for 2017; » The investment project in the PET processing and bottling line and assigned the CEO to execute.
7	23 Jan 2017	Approval of the establishment of Vietnam Dairy Products Joint Stock Company's branch – Lam Son Dairy Factory on Le Mon Industrial Park, Quang Hung Ward, Thanh Hoa City, Thanh Hoa Province.	The BOD approved the establishment of Vietnam Dairy Products Joint Stock Company's branch – Lam Son Dairy Factory on Le Mon Industrial Park, Quang Hung Ward, Thanh Hoa City, Thanh Hoa Province.

THE BOARD OF DIRECTORS’ REPORT (continued)

ATTENDANCE RECORD OF BOD MEMBERS AT ANNUAL MEETINGS IS AS FOLLOWS:

No.	BOD’s member	Title	Number of meetings attended	Attendance rate
1	Ms. Le Thi Bang Tam	Chairwoman	4/4	100%
2	Ms. Mai Kieu Lien	Member	4/4	100%
3	Mr. Le Song Lai	Member	4/4	100%
4	Mr. Le Anh Minh	Member	4/4	100%
5	Mr. Ng Jui Sia (*)	Member	3/3	100%
6	Ms. Ngo Thi Thu Trang	Member	4/4	100%
7	Mr. Lee Meng Tat (*)	Member	1/1	100%

Note: (*): Mr. Lee Meng Tat was voted to the BOD to replace Mr. Ng Jui Sia since 1 September 2016.

Therefore, the board members attended fully all the annual meetings convened by the BOD. Moreover, the Inspection Committee (IC), acted as the observers, was also present at each of the BOD’s meetings.



MEETING RESULTS ARE PRESENTED UNDER RESOLUTIONS AS FOLLOWS:

No.	Resolution No.	Date	Content
1	01/NQ-CTS.HĐQT/2016	15 Jan 2016	Restructuring Driftwood’s long-term loans
2	02/NQ-CTS.HĐQT/2016	29 Jan 2016	Scheduling to open a representative office in Russia
3	03/NQ-CTS.HĐQT/2016	29 Jan 2016	Changing the capital representative at Angkor Milk
4	04/NQ-CTS.HĐQT/2016	29 Jan 2016	Rewarding the BOD, BOM and Chief Accountant
5	04B/NQ-CTS.HĐQT/2016	29 Jan 2016	Results of the periodic meeting in January 29, 2016
6	05/NQ-CTS.HĐQT/2016	15 Feb 2016	Seeking for shareholders’ approval by documents on changing business activities
7	06/NQ-CTS.HĐQT/2016	25 Feb 2016	Terminating the representative office in Cambodia as its operation period has expired.
8	07/NQ-CTS.HĐQT/2016	24 Mar 2016	Establishing a vote counting committee to check and count shareholders’ votes on changing business activities
9	08/NQ-CTS.HĐQT/2016	9 Apr 2016	Liquidating the land in Da Nang
10	09/NQ-CTS.HĐQT/2016	13 Jun 2016	Employee stock ownership program regulations
11	10/NQ-CTS.HĐQT/2016	28 Jun 2016	Unlimited ownership rate for foreign investors
12	11/NQ-CTS.HĐQT/2016	12 Jul 2016	Approving detailed remuneration package for the BOD’s members under the AGM’s Resolution
13	12/NQ-CTS.HĐQT/2016	21 Jul 2016	1 st Advance payment of 2016’s dividend, and the final record date for share issuance to increase charter capital sourced by the owner’s equity under the AGM’s Resolution
14	13/NQ-CTS.HĐQT/2016	2 Aug 2016	Appointing new BOD’s members at Vinamilk Europe
15	14/NQ-CTS.HĐQT/2016	2 Aug 2016	Short-term borrowings from banks
16	15/NQ-CTS.HĐQT/2016	20 Aug 2016	Appointing a temporary BOD’s member - Mr. Lee Meng Tat
17	16/NQ-CTS.HĐQT/2016	31 Aug 2016	Increasing charter capital of Vietnam Dairy Cow One Member Co., Ltd.
18	17/NQ-CTS.HĐQT/2016	9 Sep 2016	Amending Employee Stock Ownership Program Regulations 2016
19	18/NQ-CTS.HĐQT/2016	29 Sep 2016	Approving the schedule to build a new dairy factory
20	19/NQ-CTS.HĐQT/2016	29 Sep 2016	Additional investment in fixed assets
21	20/NQ-CTS.HĐQT/2016	19 Oct 2016	Increasing investment capital in subsidiaries
22	21/NQ-CTS.HĐQT/2016	28 Oct 2016	Scheduling to establish a representative office in Thailand

THE BOARD OF DIRECTORS' REPORT (continued)

IMPLEMENTATION OF THE 2016 AGM'S RESOLUTIONS

- » As of Quarter I/2017, the BOD has convened meetings and implemented/monitored the execution of all plans approved at the AGM held in May 2016, including:

» Dividend and profit distribution for 2015:

» Fully set aside the Investment and Development fund and Bonus and Welfare fund from 2015 profit after tax.

» Completed the second cash dividend payment for 2015 at the rate of 20% of par value (VND2,000/share).

» Plans for 2016:

» Consolidated revenue and profit targets in 2016: Under the direction of the CEO and the BOM, together with the close supervision and collaboration of the BOD, Vinamilk exceeded its revenue and profit targets approved by the AGM.

(Details are presented in "Business Operation for 2016", page 88).
- » Adjusted total asset investment for 2012 - 2016 period: the BOD adjusted the total asset investment and the allocation to each unit until the end of 2016 to VND12,500 billion. The actual investment by the end of 2016 was VND12,731 billion.

» Completed 1st cash dividend advance payment for 2016 at the rate of 40% of par value (VND4,000/share).

» Issued and listed shares to increase charter capital which was funded by shareholders' equity at a 1:5 ratio on the occasion of the Company's 40th birthday anniversary:

» Chose 22 August 2016 as the final record date to receive bonus shares.

» Disclosed information on the issuance and issuance plan, fully implemented issuance procedures in accordance with the laws and listed the additionally issued shares on HOSE.
- » Employee stock ownership plan (ESOP):

» Issued and adjusted ESOP regulations.

» Disclosed information on share issuance under the ESOP program in which the issuance plan was clearly regulated.

» Remuneration package for the BOD and the IC in 2016:

» The full payment was made as approved by the AGM.

(Details are presented in "Salaries, bonuses, remunerations and other benefits of the Board of Directors, the Inspection Committee and the Board of Management" on page 81).

» Converted Lam Son Dairy One Member Co., Ltd. into a branch:

» The BOD approved the establishment of Vietnam Dairy Products Joint Stock Company's branch – Lam Son Dairy Factory on 24 January 2017

» Foreign ownership limit:

» The BOD approved a resolution with respect to unlimited foreign ownership at Vinamilk and the Company completed all the procedures to report to the relevant authorities.

»BY QUARTER I/2017, THE BOD HELD MEETINGS TO DISCUSS AND IMPLEMENT/SUPERVISE THE IMPLEMENTATION OF ALL PLANS APPROVED AT THE AGM HELD IN MAY 2016.»

THE BOD'S COMMITTEES' OPERATION

RISK MANAGEMENT COMMITTEE

Risk management continued to be at the top of the BOD's attention and the Risk Management Committee's direction and monitoring. In 2016, the Risk Management Committee conducted four meetings to review and evaluate the Company's management. The Risk Management Committee directly discussed with the Executive Directors and instructed the management of the Company's key risks. In addition, the interaction between the Risk Management Committee, Inspection Committee and Internal Audit was also reinforced to increase the effectiveness of the Company's security layers against key risks and to ensure that appropriate action plans are deployed on a timely basis.

Number of meetings: 4

Content of meetings:

- » Discussed quarterly risk management reports on risk levels and action plans.
- » Discussed with important risk owners on risks and control plans (i.e., Executive Director of Research and Development about innovative risks, Executive Director of Production about product quality risk, Executive Director of Finance about exchange rate risk and financial investment and Executive Director of Raw Materials Development about cattle disease and raw milk price management).
- » Discussed with the IC on interaction method related to

» THE BOD CONTINUED TO PAY GREAT ATTENTION TO RISK MANAGEMENT WHICH WAS ALSO DIRECTED AND MONITORED BY RISK MANAGEMENT COMMITTEE.»

reviewing Financial Statements and coordination with the Internal Audit.

- » Oriented and agreed on Risk Management Plan for 2017.

ALLOWANCE COMMITTEE

The Committee implemented and submitted to the BOD for reviewing and approving the bonus scheme for managers in the long run in connection with achieving and exceeding business targets. At the same time, the Committee reviewed and evaluated the performance of the CEO and the BOM in 2016 to propose their bonuses for BOD's reviewing and approval.

Number of meetings: 2

Content of meetings:

- » Prepared and submitted the ESOP program to the BOD.
- » Reviewed and submitted to the BOD the 2016 remuneration scheme for the CEO and BOM.

BUSINESS STRATEGY COMMITTEE

The Committee monitored the CEO and the BOM's preparation of the 5-year strategic plan for 2017 - 2021 period.

Number of meetings: 2

Content of meetings:

- » Verified and commented on the five-year business strategy for 2017 - 2021 period prepared by the BOM.
- » Discussed and proposed sustainable development policy and important points that need approval of the BOD: stakeholders, key areas and sustainable development orientation of the Company.

HUMAN RESOURCES COMMITTEE

The Committee considered and proposed candidates for the BOD's temporary member to replace Mr. Ng Jui Sia who had resigned. Human Resources Committee also performed regular monitoring and assessment.

Number of meetings: 2

Content of meetings:

- » Verified and nominated Mr. Lee Meng Tat as a board member in replacement for Mr. Ng Jui Sia.
- » Screened and short-listed suitable candidates to recommend for the BOD member selection in 2017 - 2021 period.

SUPERVISION AND ASSESSMENT OF THE CEO AND THE BOM



BASED ON THE COMPANY’S CHARTER AND GOVERNANCE REGULATIONS, THE BOD EXAMINED AND SUPERVISED THE CEO’S AND THE BOM’S ACTIVITIES IN TERMS OF BUSINESS MANAGEMENT AND IMPLEMENTATION OF THE AGM’S AND BOD’S RESOLUTIONS IN 2016 AS FOLLOWS:

SUPERVISION OF CEO AND BOM

Supervision method

- » The BOD supervised the CEO and BOM’s members in following activities:
 - › Planned and implemented business targets approved by the AGM;
 - › Compiled asset investment plan;
 - › Managed risk control and management system;
 - › Prepared and presented financial statements;
 - › Planned for human resources;
 - › Built the 5-year strategy for 2017 – 2021 period;
 - › Executed the BOD’s resolutions.
- » The BOD monitored the completeness of the above-mentioned activities by compiling agendas for the BOD’s and Committees’ meetings. In terms of validity, effectiveness and relevance, the BOD discussed and questioned the CEO and the BOM at the BOD’s quarterly meetings as well as via email, telephone and direct meetings. Noticeable problems and obstacles were defined and solved radically and appropriately.

- » Specialized areas were all assigned to the Committees by the BOD to implement and update results at every periodic meeting. The BOD coordinated closely with the IC to monitor and support the CEO and the BOM to improve risk control and management system, the reliability and relevance of financial statements as well as corporate governance. The IC’s comments were carefully taken into account of BOD’s decisions.
- » The BOD discussed and approved, via resolutions/minutes after each meeting on plans for the following quarters and other related issues for the CEO and the BOM’s implementation.

Supervision results

Based on reports of the CEO and the BOM and actual business performance, the BOD recorded the following results:

- » Under the lead of the CEO and the BOM, the Company has achieved business targets set out for 2016: (i) continuing to diversify its product portfolio; (ii) maintaining and gaining market share for

» INVESTMENT PLANS WERE IMPLEMENTED AND ADJUSTED ACCORDINGLY TO ACTUAL BUSINESS SITUATIONS. THE COMPANY’S ORGANIZATION, CONTROL AND MANAGEMENT SYSTEMS PIONEER TO APPLY ADVANCED STANDARDS, FURTHER ENHANCE THE COMPANY’S IMAGE AND CONFIRM OUR PRESTIGE AND LEADING POSITION IN THE MARKET.»

- many key product categories; (iii) expanding and strengthening distribution network; (iv) more and more diversifying overseas subsidiaries and international business operations.
- » Implementation activities were performed as authorized in accordance with the BOD’s resolutions.
- » By the final year of the term, the CEO and BOM have completed building the 5-year strategic business plan for 2017 - 2021 period and the respective resources planning for its implementation. Furthermore, the CEO and the BOM also gained achievements in enhancing corporate governance and in sustainable development - corporate social responsibility.



ASSESSMENT OF THE CEO AND THE BOM

In accordance with the Company's Governance Regulations, the BOD assessed the CEO and BOM based on following criteria:



Accomplishment of business targets in 2016

This criterion was assessed based on the accomplishment of (i) common targets of the Company and (ii) quality targets in each department managed by each Executive Director following Balanced Scorecard. Other financial, customer, process and learning objectives were allocated appropriately for each position.

The assessment was combined with the above-mentioned supervisory activities of the BOD.

General responsibilities of senior managers

This criterion was implemented in accordance with the Company's Charter and Governance Regulations, including:



This assessment was conducted in two steps: individual self-assessment and direct management assessment. For Executive Directors' assessment, the BOD also relied on the supervisory results of the CEO.

Competence and skills of senior managers



Assessment was also supported by the Leadership Core Competences exclusively developed for Vinamilk. The assessment criteria for each aspect were selected from the latest assessment results. For the purpose of monitoring the improvement and development of the evaluated subject over time, selected criteria were built based on a scientific rule.

Conclusion

- » According to the BOD's assessment, the CEO and the BOM succeeded in all tasks assigned in 2016 in compliance with current laws and the Company's Governance Regulations.
- » Quality of leadership and management, individual quality, knowledge and skills would be further enhanced in 2017 - 2021 period.

THE BOD'S PERFORMANCE ASSESSMENT
IN 2016 AND 2012 - 2016 PERIOD

THE PERFORMANCE ASSESSMENT IN 2012 – 2016 PERIOD

Investment

Total actual investment increased by **24%** from the initial plan (62 actual projects as compared to 42 planned).

Parent company: **72%** of total investment, subsidiaries: **28%**.

Investment in capacity expansion: **79%** and investment in maintenance, improvement and optimization of existing capacity: **21%**.

Business performance

- » Consolidated revenue: consolidated figure of 2016 was VND46,965 billion, rising 16.8% from 2015 and reaching 105% of the budget. For the 5-year period of 2012 - 2016, total cumulative revenue was 102% of the plan. The revenue CAGR of 14.7% during the term was relatively strong, given fickle perspective of domestic and global economy.
- » Profit: net profit after tax for 2016 and for the whole 5-year term surpassed the targets by 12.8% and 11% respectively. Net profit CAGR for 2012 - 2016 period is 12.6%.

» Market share: Key product categories increased remarkably compared to other competitors.
- » Dividend payment met shareholders' expectation.

» Market capitalization: reached VND182,303 billion in 2016, 3.8 folds higher than VND48,104 billion in 2012.

Social responsibility

The 2012 - 2016 period was the first term that Corporate Social Responsibility (CSR) was paid attention to. Vinamilk even had a separate report on this topic. The implementation results also brought some managerial benefits and ranking awards to the Company. In 2012 - 2016 period, we also promulgated policies and approved a long-term orientation for this topic. (See "Sustainable Development Report" for more details).



THE BOD'S PERFORMANCE ASSESSMENT

In 2016, the Company continued to maintain an official assessment of the BOD's performance in general and contribution of each board member in particular.

The BOD's performance review meeting was held at the last BOD's meeting of the year with the attendance of all the BOD's members and the support of the Company Secretariat.

Assessment criteria: Behavior and performance effectiveness, expressed in following aspects:

- » Revenue, profit and other non-financial indicators.

- » Percentage of independent, non-executive, and executive members in the BOD.

- » Number of the BOD's and Committees' meetings and their contents.

- » Number of cases on conflicts of interest occurred.

- » Compliance with information security regulations.

- » The BOD's attendance in management training programs.

- » Remuneration policy built for the BOD.

- » New policies developed and issued.

Form of assessment: Using questionnaires selected from the International Finance Corporation (IFC)'s BOD assessment guidelines on a five-level scale.

The results show that during the past year, the BOD operated in accordance with the laws and the Company's Charter and brought the best achievements to the Company. Aspects under the BOD's authorization including management, supervision, strategy, risk management, human resources and remuneration were handled professionally.

THE BOARD OF DIRECTORS' REPORT (continued)

THE BOD MEMBERS' PERFORMANCE ASSESSMENT

Based on the Company's Governance Regulations, assessment of each member in the BOD is conducted at least once a year. Particularly, the BOD's performance review meeting is held at the last BOD meeting of the year with the attendance of all board members and with the support from Company Secretariat.

- Form of assessment: Members of the BOD assess themselves via questionnaires with the following contents:
- » Preparation, presence and contribution at meetings of the BOD and Committees.
 - » Personalities, professionalism and four responsibilities.

Assessment results were summarized by the Company Secretariat for a general assessment of all BOD's members.

Results: In 2016, all board members achieved good results. Each member was proactive to perform his/her responsibilities and duties and professionally contributed to the BOD's general decisions.



OTHER CONTENTS ABOUT CORPORATE GOVERNANCE

SALARIES, BONUSES, REMUNERATION AND OTHER BENEFITS OF THE BOD, THE IC AND THE BOM

The Company paid remuneration to the BOD's and IC's members under the resolution of the AGM. In addition, the Company also purchased liability insurance for the BOD's and IC's members and health insurance for themselves and their family as the same scheme for Executive Directors.

The BOD determined salaries, bonuses and other financial benefits for the CEO and approved salary and bonus scheme for Executive Directors based on the CEO's recommendation.

Remuneration for each member of the BOD in the financial year 2016 is tabulated in the table below:

No.	BOD's member	Remuneration (VND million)
1	Ms. Le Thi Bang Tam	3,442
2	Ms. Mai Kieu Lien	761
3	Mr. Le Song Lai	2,352
4	Mr. Le Anh Minh	2,332
5	Mr. Ng Jui Sia	1,574
6	Mr. Lee Meng Tat	777
7	Ms. Ngo Thi Thu Trang	761

Remuneration and expenses for each member of the IC in the financial year 2016 are tabulated in the table below:

No.	IC's member	Remuneration (VND million)
1	Mr. Nguyen Trung Kien	953
2	Mr. Nguyen Dinh An	595
3	Ms. Nguyen Thi Tuyet Mai	752
4	Mr. Vu Tri Thuc	700

Salaries, bonuses and other benefits of the BOM

No.	BOM's member	Salaries	Bonuses	Total
1	Ms. Mai Kieu Lien	27%	73%	100%
2	Ms. Ngo Thi Thu Trang	51%	49%	100%
3	Ms. Nguyen Thi Thanh Hoa	50%	50%	100%
4	Mr. Tran Minh Van	51%	49%	100%
5	Mr. Nguyen Quoc Khanh	51%	49%	100%
6	Mr. Mai Hoai Anh	51%	49%	100%
7	Mr. Phan Minh Tien	51%	49%	100%
8	Ms. Bui Thi Huong	51%	49%	100%
9	Mr. Trinh Quoc Dung	50%	50%	100%
10	Mr. Le Thanh Liem	51%	49%	100%



THE BOARD OF DIRECTORS’ REPORT (continued)

STOCK TRADING OF THE INSIDERS AND THEIR RELATED PARTIES

No.	Transaction party	Relation with the insiders	Ownership at the beginning of period			Ownership at the end of period		Reason for increase/decrease				
			No. of shares	Ratio			No. of share	Ratio	Increase			Decrease
									Buy	1:5 bonus share	Total	Sell
Board of Directors												
1	Mai Kieu Lien	BOD member, CEO	3,262,291	0.27%		4,111,420	0.28%	163,893	685,236	849,129		
2	Ngo Thi Thu Trang	BOD member, Executive Director - Project	988,360	0.08%		1,080,075	0.07%	54,203	195,512	249,715	(158,000)	
Inspection Committee												
1	Nguyen Trung Kien	Head of IC	32,400	0.00%		38,880	0.00%		6,480	6,480		
2	Nguyen Thi Tuyet Mai	IC member	33,703	0.00%		35,000	0.00%		6,740	6,740	(5,443)	
Board of Management												
1	Mai Hoai Anh	Executive Director	219,348	0.02%		355,911	0.02%	77,245	59,318	136,563		
2	Trinh Quoc Dung	Executive Director	139,831	0.01%		209,688	0.01%	34,909	34,948	69,857		
3	Nguyen Thi Thanh Hoa	Executive Director	766,389	0.06%		752,906	0.05%	72,700	163,817	236,517	(250,000)	
4	Bui Thi Huong	Executive Director	10,002	0.00%		59,846	0.00%	39,870	9,974	49,844		
5	Nguyen Quoc Khanh	Executive Director	54,662	0.00%		20,664	0.00%	45,892	8,110	54,002	(88,000)	
6	Le Thanh Liem	Executive Director	208,850	0.02%		298,718	0.02%	40,082	49,786	89,868		
7	Phan Minh Tien	Executive Director	24,000	0.00%		80,359	0.01%	42,966	13,393	56,359		
8	Tran Minh Van	Executive Director	460,843	0.04%		616,137	0.04%	52,605	102,689	155,294		

THE BOARD OF DIRECTORS’ REPORT (continued)

No.	Transaction party	Relation with the insiders	Ownership at the beginning of period			Ownership at the end of period		Reason for increase/decrease			
			No. of shares	Ratio			No. of share	Ratio	Increase		Decrease
									Buy	1:5 bonus share	Total
Relation Parties											
1	SCIC	Le Song Lai and Ngo Thi Thu Trang	541,054,080	45.06%		570,886,596	39.33%	0	108,210,816	108,210,816	(78,378,300)
2	Amersham Industries Limited	Le Anh Minh	11,551,262	0.96%		10,341,514	0.71%	0	2,310,252	2,310,252	(3,520,000)
3	DC Developing Markets Strategies Public Limited Company	Le Anh Minh	274,646	0.02%		824,615	0.06%	514,200	80,769	594,969	(45,000)
4	Grinling International Limited	Le Anh Minh	5,351,018	0.45%		5,441,221	0.37%	0	1,070,203	1,070,203	(980,000)
5	Norges Bank	Le Anh Minh	5,529,200	0.46%		6,635,040	0.46%	0	1,105,840	1,105,840	
6	The CH/SE Asia Investment Holdings (Singapore) Pte. Ltd.	Le Anh Minh	197,388	0.02%		100,000	0.01%	0	39,477	39,477	(136,865)
7	Vietnam Enterprise Investments Limited	Le Anh Minh	12,643,612	1.05%		9,728,612	0.67%	0		0	(2,915,000)
8	F&N Dairy Investments Pte. Ltd.	Ng Jui Sia and Lee Meng Tat	132,490,778	11.03%		198,178,083	13.65%	39,189,150	26,498,155	65,687,305	
9	F&NBEV Manufacturing Pte. Ltd.	Ng Jui Sia and Lee Meng Tat	0	0.00%		39,189,150	2.70%	39,189,150		39,189,150	
10	SCIC One member Investment Ltd. Co	Le Song Lai	11	0.00%		336,070	0.02%	1,280,510		1,280,510	(944,451)
11	Bao Minh Insurance Corp.	Le Song Lai	50,000	0.00%		0	0.00%	0			(50,000)
12	Mai Quang Liem	Brother of Mai Kieu Lien	145,884	0.01%		86,896	0.01%	1,530	29,482	31,012	(90,000)
13	Nguyen Minh An	Brother of Nguyen Thi Thanh Hoa	127,980	0.01%		174,807	0.01%	17,693	29,134	46,827	
14	Duong Thi Ngoc Trinh	Mother of Mai Hoai Anh	176,904	0.01%		212,284	0.01%	0	35,380	35,380	

THE BOARD OF DIRECTORS' REPORT (continued)

CONTRACTS OR TRANSACTIONS WITH INTERNAL SHAREHOLDERS

The Company's Charter and Governance Regulations on the responsibility of honesty and avoidance of conflicts of interests are specifically stipulated as follows:

- » The CEO and senior managers are not permitted to use business opportunities that may benefit the Company for personal purposes; they are also not allowed to use the information obtained thanks to their position for personal gain or for the benefit of any other organizations or individuals.
- » The BOD members, IC members, CEO and senior managers are obliged to inform the BOD of all interests which may benefit them through other legal entities, transactions and individuals that may conflict with the Company's interests within seven (7) working days when the relevant interests arise.
- » The BOD members, IC members and CEO who represent themselves or any other persons to perform business in any kind under the Company's scope of operations shall have to explain that business to the BOD and the IC. This business is only performed when approved by the majority of the BOD members. In case it is performed without declaration or approval of the BOD members, all revenue from that business shall belong to the Company.

In 2016, no notification on this kind of transaction from our members was reported to the Company. We did not have any borrowings, guarantee, or lending to any of our members or their related parties.

IMPLEMENTATION OF THE COMPANY'S GOVERNANCE REGULATIONS

Rules, regulations and operations of the Company are in accordance with the Company's Governance Regulations under the laws. All information related to the Company's management is published on a timely basis as stipulated by the laws. Specifically, in 2016, the Company made more than 50 announcements, which



were all complied with the laws without any violations.

In 2016, the Company implemented numerous activities to improve the governance quality, with some typical ones being presented as follows:

- » Reviewed, supplemented and amended to integrate governance contents.
- » Studied, reviewed and decided to change the organizational structure model (from the Inspection Committee to the Audit Committee).
- » The BOD was officially in charge of Sustainable Development.

THE BOD'S FUTURE ORIENTATIONS

The BOD discussed and agreed on areas and aspects on which they could be able to concentrate to further enhance the efficiency over the next five years, including:



The supporting unit - the Company Secretariat - will also be improved in quality:

- » The roles of the Company Secretariat in line with advanced standards;
- » Structure and competence of the Company Secretariat.

THE BOARD OF
MANAGEMENT’S REPORT



BUSINESS OPERATION FOR 2016

2016 IS THE FINAL YEAR OF THE 5-YEAR PLAN FOR THE 2012 - 2016 PERIOD AND ALSO THE YEAR THAT MARKED VINAMILK’S 40TH BIRTHDAY ANNIVERSARY. THE BOARD OF MANAGEMENT (BOM) CONSIDERED IT A SUCCESSFUL YEAR WITH MANY ACHIEVEMENTS.

TOTAL REVENUE
VND 46,965
BILLION
COMPLETING 105% OF THE PLAN

OVERVIEW

2016 is the final year of the 5-year plan for the 2012 - 2016 period and also the year that marked Vinamilk’s 40th birthday anniversary, the BOM considered it a successful year with many achievements.

Thanks to vigorous efforts in operation and management, financial and non-financial indicators were very strong, fully and accurately reflecting the actual performance vis-à-vis the targets assigned by the AGM and the BOD:

- » Revenue: VND46,965 billion, reaching 105% of the target.
- » Market share: all five main product categories including liquid milk, powdered milk, yogurt, drinking yogurt and condensed milk increased as compared to 2015.
- » Profit: VND11,238 billion, completing 112% of the target.

Comparing to the 5-year target set out at the 2012 AGM, the BOM reported and explained the actual results as follows:

- » Cumulative 5-year revenue: VND181,579 billion, fulfilling 102% of the target, implying a CAGR of 14.7%. This is a relatively high growth rate in the context of very tough market competitiveness and macroeconomic fluctuations.
- » Cumulative 5-year profit before tax: VND43,158 billion, reaching 110% of the target, translating into a CAGR of 12.8% and meeting the shareholders’ expectation.
- » Market share in 2016 versus 2012: liquid milk rose from 45.9% to 54.5%; infant formula milk rose from 21.7% to 25.1% in six major cities and owned 40.6% of the national market share in 2016; drinking yogurt increased from 24.4% to 33.9%; and condensed milk rose from 79.4% to 79.7%.
- » Capital efficiency ratios were high and maintained stable throughout the term, with ROE of around 40% and ROA of around 30%. Total assets and owners’ equity increased by 10.5% and 9.7% per annum on average respectively over the past five years. This resulted in an increase in the Company’s market

CAPITAL EFFICIENCY RATIOS WERE HIGH AND MAINTAINED STABLE THROUGHOUT THE PERIOD, WITH ROE OF AROUND 40% AND ROA OF AROUND 30%. TOTAL ASSETS AND OWNERS’ EQUITY INCREASED BY 10.5% AND 9.7% PER ANNUM ON AVERAGE RESPECTIVELY OVER THE PAST FIVE YEARS.

capitalization value by 3.8 times, from VND48,104 billion in 2012 to VND182,303 billion in 2016.

In 2016, according to the BOM’s analysis and assessment, the aforementioned achievements were the result of the following key success factors:

- » Timely catching up with market demands and technological advances, launching a wide range of products with characteristics and benefits that meet customers’ diverse demand. For overseas markets, the presence in 43 countries and territories has also generated significant sales.

PROFIT
VND 11,238
BILLION
REACHING 112% OF THE TARGET

MARKET CAPITALIZATION VALUE
VND 182,303
BILLION



THE BOARD OF MANAGEMENT’S REPORT (continued)

- » Effective coordination among marketing, product development and distribution has brought about good results in the value chain highlighted by the inauguration of the e-commerce channel and organic products under the European standards.
- » Back-office departments consisting of procurement, farming, manufacturing and logistics have completed their functions excellently and closely connected with the front line.
- » Efforts, creativity and enthusiasm of more than 6,000 managers and staff.
- » Flexible and solid cooperation with partners and suppliers.

Regarding the system: In 2016, the Company enacted some innovative changes in the governance structure: reconsidering and finalizing the organizational structure of the value chain and supporting functions. We also had a successful kick-off in augmenting value and efficiency through the application of LEAN spirit.

The BOM believes that with the motives from what have been completed and prepared till 2016 and “creative” and “innovative” ideas, Vinamilk will overcome all difficulties and challenges in the upcoming years.

HIGHLIGHTS

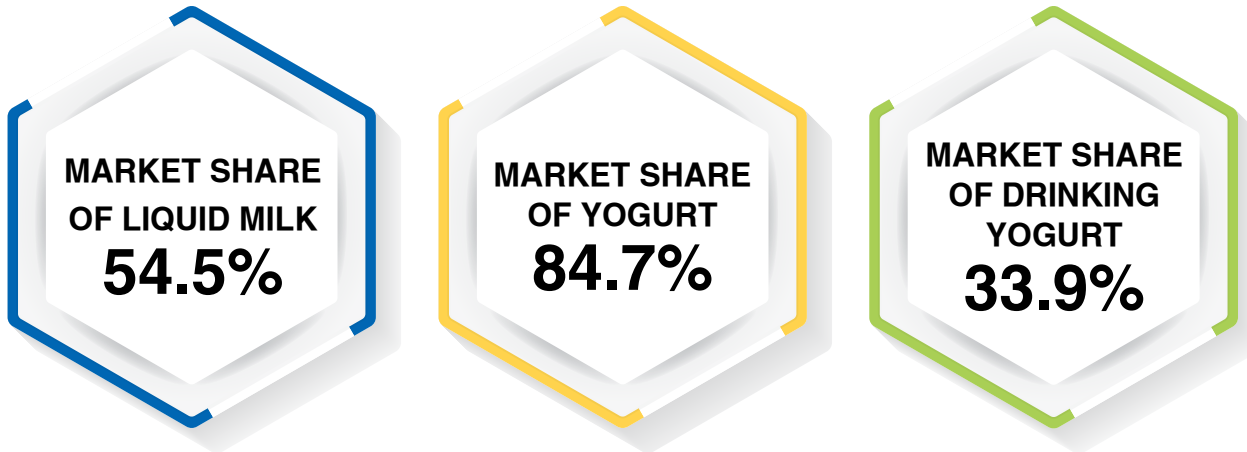
Marketing activities

2016 marked a successful year of

- marketing, most remarkably in three following aspects:
- » With nearly 30 new products in six product categories, the innovation has brought to customers a diversified and pioneering product portfolio. The most impressive products were aloe vera, pomegranate drinking yogurt and organic fresh milk under both American and European standards with the timely and effective marketing support from many media channels.
 - » Powerful and impressive marketing campaigns made a sizeable contribution to the achievements, especially the development of digital communication via Youtube channel and social media networks.



2016 WITNESSED A DRAMATIC CHANGE IN THE INTENSIFYING PRESENCE OF VINAMILK’S PRODUCTS IN THE MARKET.



- » The obvious and proud results were an additional gain in market shares of three key product categories: liquid milk increased by 1.5pct to 54.5%, yogurt by 0.4pct to 84.7%, and drinking yogurt saw a breakthrough gain by 1.9pct to 33.9%.

Research and Development (R&D) activities

- » In order to respond to the trend and lead the market, the R&D activities in 2016 focused on three main trends: (i) diversification of the yogurt and fresh milk product categories by combining

micronutrient-rich tropical fruits, (ii) diversification of powdered milk and nutrition powder by integrating diverse micronutrients to meet different functional needs and (iii) diversification of other products with different sizes and packaging techniques.

- » Concurrently, the R&D activities have marked the cooperation with many large and prestigious national and international research centers, aiming to vertical integration to further enhance product responsibility to customers. Infant formula milk and

specialized powdered milk have reached the highest standards.

- » In order to catch up with demands and product efficiency and to enhance more added value to consumers, the Company’s Nutrition Counselling Center and An Khang Clinic have combined nutrition consulting and medical examination in various forms such as online counseling, electronic communication channel, diabetes club and so forth.

Distribution activities

- » Local market:
 - » 2016 witnessed a dramatic change in the intensifying presence of Vinamilk’s products in the market. This is stemmed from Vinamilk’s extensive distribution system with distribution rate of over 85%, retailers with up to 220,000 outlets served directly by distributors, Vinamilk’s store chain of “Vietnam Dairy



THE TIMELY AND PROACTIVE LAUNCH OF EFFECTIVE MARKETING AND PROMOTIONS IS A CONTRIBUTOR TO THE SUCCESS OF GAINING MARKET SHARE AND MAINTAINING VINAMILK’S STATURE IN THE MARKET.



Dream” reaching 218 stores and 100% of supermarkets and convenience stores selling Vinamilk’s products. A new emphasis on enhancing convenience to customers was the newborn of an e-commerce channel with the cooperation of reliable partners and “Vietnam Dairy Dream” stores.

The timely and proactive launch of effective marketing and promotions is a contributor to the success of gaining market share and maintaining Vinamilk’s stature in the market.

- Finally, it is worth mentioning a revolution in distribution system including the restructuring program and intensification of distributors’ system capacity. Distributors were re-arranged to increase their scale, enhance satisfaction to retailers and achieve high efficiency by capitalize on their scale.
- International markets
 - In 2016, international business has reaped fruitful results. Vinamilk’s export turnover reached VND5,745

billion, equivalent to USD258.5 million, increasing by 9% from 2015.

- With strong and diverse trade promotion activities, a close coordination in strategies among penetration, brand positioning and general marketing, Vinamilk’s image and products have had a big stride in penetrating international markets and developing new overseas markets such as Dubai, Bangladesh, Mongolia, Hong Kong and Tanzania.
- With a myriad of efforts put in, Vinamilk was honorably voted as the first Vietnamese company to self-certify product origin in ASEAN. This achievement is a favorable premise to enter other potential and critical markets that have been analyzed and assessed in 2016 and to gear up for the upcoming 5-year plan.

Procurement and Logistics activities

- Focusing on the material impact on the value chain, the procurement activities have been improved through upgrading supplier assessment and procurement control processes to optimize purchase cost in accordance with rules, regulations and conditions of trade agreements such as the Trans-Pacific Partnership Agreement (“TPP”) and the North American Free Trade Agreement (“NAFTA”).
- Timely analysis and assessment are combined with the logistics

PRODUCTION RESOURCES HAVE ADOPTED VARIOUS TECHNICAL METHODS TO BOOST THE UTILIZATION OF EQUIPMENT AND MACHINES. IN 2016, ANALYSIS, ASSESSMENT AND IMPLEMENTATION OF PRODUCTION FACILITY PLANNING FOR THE NEXT FIVE YEARS WERE BASICALLY COMPLETED.



Production activities

- for goods, raw materials, warehouses and so on to improve the supply chain in line with the planning of local and overseas factory systems.
- Transportation has been improved with many flexible transportation methods,

restructuring and re-planning of transportation service provider system, further application of information technologies to manage transportation services and their quality.



- With the motto of ensuring product quality, upgrading and innovating product quality control procedures and policies were intensively implemented in 2016. Furthermore, storage and tracking control was designed to be further integrated with information technology.
- Production resources have adopted various technical methods to boost the utilization of equipment and machines. In 2016, analysis, assessment and implementation of production facility planning for the next five years were basically completed.
- In order to meet domestic demands and international standards, Vinamilk’s product standard systems and procedures have been integrated into global standards (FDA, BRC, etc). Especially, all activities have been analyzed and integrated to be environmental friendly, safe and healthy towards sustainable development.



“ WITH THE FARM SYSTEM, EXTENSIVE COOPERATION WITH TOP ORGANIZATIONS AND RESEARCH INSTITUTES IN REPRODUCTIVE HEALTH, NUTRITIONAL FEEDS, THE MILKING AND RAISING SYSTEM AND CULTIVATION, HAS GENERATED GREAT ACHIEVEMENTS. ”

Farm - raw materials

- » As an important link in ensuring the domestic supply, Vinamilk’s dairy cow farm system has made spectacular leaps in 2016.

Initially it was a collaboration with some large, prestigious feed manufacturers to make specialized diets for dairy cows

under Vietnamese climate conditions. This program has been extensively tested on Vinamilk’s farms and broadly deployed to thousands of dairy cow farmers. The great benefits included not only feed quality control in terms of sufficient nutrition and disease prevention, but also cost saving for farmers with total beneficial value of up to VND51 billion. In addition, the system of milk collection stations has been organized and upgraded to ensure the highest convenience for dairy cow farmers, quality warranty and conformity to Vinamilk’s factory system. Finally, the Company’s high-quality

- consulting work to farmers in selecting breeding cows, health care, veterinary, etc has rendered encouraging results.
- » With the farm system, extensive cooperation with top organization and research institutes in reproductive health, nutritional feeds, the milking and raising system and cultivation, have generated great achievements. Quality of the cow herd has gone through a variety of breeding techniques, specific feeding formulas, disease prevention procedures, environmental cooling and hygiene and milking. These have ultimately led to the milking productivity of nearly 30 liters per day, approaching the level yielded in developed countries.
- » In preparation for the next 5-year plan, the planning for dairy cow farm system and factory system has been completed. It is worth mentioning the inauguration of the first and unique organic dairy cow farm in Lam Dong province, Vietnam proving Vietnam’s capability to produce raw fresh milk under stringent European standards.
- » Key projects were effectively analyzed, evaluated, planned and allocated with resources.
- » Implementation, completion and operation were on schedule, in line with capital allocation and disbursement plans.
- » Supplier planning and machinery selection were properly done to catch up with the latest scientific and technological advances with high productivity and efficiency.
- » All processes and regulations in project preparation and implementation were completed, aiming to shorten stipulated stages and procedures.

Investment in infrastructure

THE BOARD OF MANAGEMENT’S REPORT (continued)

PRODUCTION RESOURCES WERE ADOPTED WITH MANY TECHNIQUES TO BOOST THE UTILIZATION OF EQUIPMENT AND MACHINES. IN 2016, THE ANALYSIS, ASSESSMENT AND IMPLEMENTATION OF PRODUCTION FACILITY PLANNING FOR THE NEXT FIVE YEARS WERE BASICALLY COMPLETED.



Human resources

- » Being aware of the importance of human resources, an important intangible asset, a series of key and systematic programs and projects were launched and conducted such as: Human Resource Succession, Talent Management, Management Trainee 2016 (the second batch), etc. with many significant milestones.
- » Playing a locomotive role, all manager level were



- trained/re-trained in the Leadership Model program - a very important part of Vinamilk’s success in the future. Particularly, the expected practical values consisting of “coaching”, “what to stop”, “6 principles & 7 behaviors” in culture and leadership have brought various practical benefits to crystallize moral values and practices in the new period.
- » Furthermore, completeness and implementation of Common Competence Standards and improving of training policies were essential for building solid human resources in the next stage of development.

Finance

- » Business activities in 2016 were effectively supported by innovation, quality enhancement and timely, adequate and reliable executive reports submitted to the BOM. Specifically, analyzing reports by product categories and cost-profit centers, both domestic and overseas, were integrated with activity-based costing under the standards of companies of the same scale and/or in relation with the annual budget, which helped the BOM make correct and timely decisions.
- » For financial statements, the Company has applied the ERP management program to dairy cow farms and improved the quality of separate and consolidated financial statements while ensuring to meet expected deadlines.

Other supporting functions

- Last but not least is the operation of supporting departments.
- » Public Relations: With a focus on important partnerships with selected partners and through effective action programs, Vinamilk’s local and global reputation and image has been widely propagated and impressed.
- » Internal communication department was established and created a revolution via various forms such as website, cultural handbook, brand identity, Diamond Creative Program, etc. It aimed to improve the working environment, promote cooperation and increase employees’ satisfaction and engagement with the Company.
- » Investor Relations: Diversified and effective work provided information, fully recognized interests of shareholders and investors that have helped maintain and enhance the Company’s reputation.
- » System control and information technology has successfully integrated ISO 27001 information security into the Company’s overall ISO management system; Risk management has completed the risk portfolio and technical methods to evaluate control systems and to timely monitor key risks. Legal department has successfully completed the merger of Lam Son Dairy Company, acquired further ownership at Driftwood and conducted international business cooperation projects.

FINANCIAL POSITION

GENERAL FINANCIAL PERFORMANCE

By achieving strong business results during the year and strictly managing working capital and long-term assets, the Company’s financial position has remained sound over the years. With a strong bottom-line achieved in 2016, owners’ equity and total assets rose by 7.1% and 6.9% respectively as compared to 2015.

Unit: VND billion

	2016	2015	% increase/ (decrease)
Owners’ equity	22,406	20,924	7.1%
Total assets	29,379	27,478	6.9%
Net revenue	46,794	40,080	16.8%
Operating profit	11,160	9,271	20.4%
Profit before tax	11,238	9,367	20.0%
Profit after tax	9,364	7,770	20.5%

Working capital management

- » *Cash and cash equivalent:* Thanks to effective production and business performance, the Company’s cash and cash equivalent always remained high; simultaneously, cash flows were managed efficiently and safely. The risk management policy was built to ensure that term deposits were always at optimal levels of safety and flexibility, meeting the Company’s capital needs at all times.

» *Accounts receivable:* Accounted for 11.7% of the current assets. Overdue receivables of less than 30 days constituted only 2% of outstanding, which are normal overdue receivables and fully paid.
- Overdue receivables of more than 30 days and bad debt were almost negligible. Receivables turnover was improved from 19.1 times in 2015 to 21.3 times in 2016, which was stemmed from the Company’s reasonable and strict credit policy over the past few years.

» *Inventory:* Accounted for 24.2% of current assets. Though inventory turnover decreased from 6.4 times in 2015 to 5.8 times in 2016, it remained at a reasonable and stable level in accordance with the Company’s inventory management policy. No significant slow-moving inventory was recorded in 2016 as well as in the past few years.
- » *Current liabilities:* Accounted for 22% of owners’ equity and liabilities. The Company has been maintaining the reasonable and strict payment policy to suppliers in accordance with the Company’s operation.

Non-current asset management

Non-current asset made up 36.4% of total assets, most of which are tangible fixed assets at manufacturing plants. The Company has been maintaining the policy of long-term asset management and new investment to ensure the most effective asset management, meeting future growth and avoiding wastefulness and loss of assets.

KEY FINANCIAL RATIOS

With good business results and sound financial management, in 2016, the Company maintained stable financial ratios at a safe level, meeting and sustaining shareholders’ sentiment. Typically, ROE increased from 38% to 43% and ROA increased from 29% to 33%.

Ratios	2016	2015	Note
1. Liquidity			
» Current ratio	2.89	2.79	Times
» Quick ratio	2.16	2.12	Times
2. Capital structure			
» Debt to asset ratio	24%	24%	
» Debt to equity ratio	31%	31%	
3. Operating efficiency			
» Inventory turnover	5.8	6.4	Times
» Receivables turnover	21.3	19.1	Times
» Asset turnover	1.65	1.51	Times
4. Profitability			
» Profit after tax/Net revenue	20%	19%	
» Profit after tax/Equity (ROE)	43%	38%	
» Profit after tax/Total assets (ROA)	33%	29%	
» Operating profit/Net revenue	24%	23%	

INVESTOR RELATIONS



The investors was visiting the Mega factory.



Leaders of HOSE, SCIC and Vinamilk at the roadshow of SCIC's capital divestment of 9% stake from Vinamilk.

INVESTOR RELATIONS ACTIVITIES DURING THE YEAR

In 2016, the IR department hosted over 350 meetings with institutional and individual shareholders and investors through various forms and at various locations, specifically as follow:



Especially, there were practical forms of receptions such as organizing more than 10 visits to the modern factory systems for shareholders, investors and other academic research organizations from Asia, Europe and America.

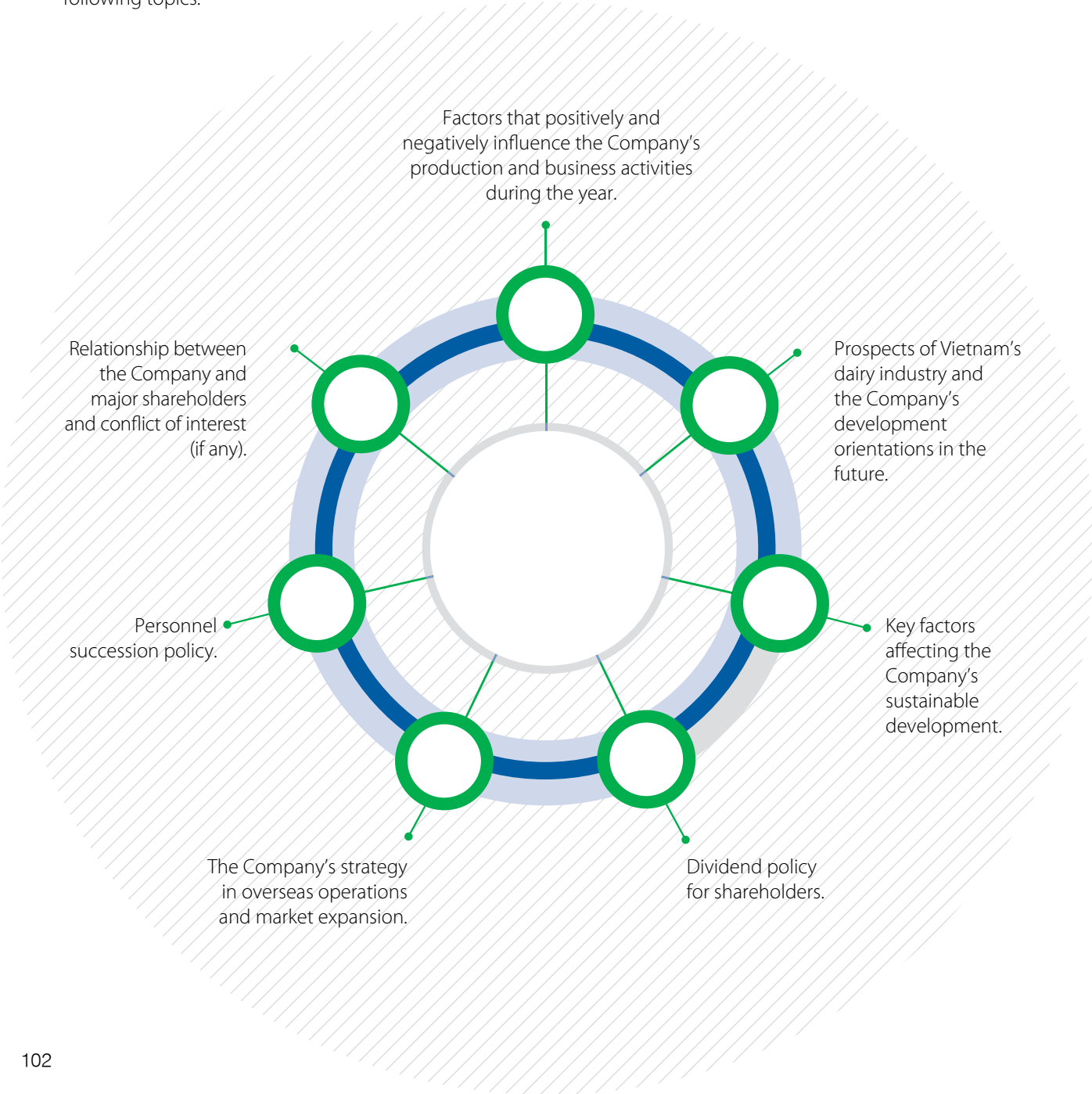
The Company also actively participated in international investment conferences held in Vietnam, Japan, Singapore, Hong Kong, the U.S. and the UK to meet with shareholders and investors.

It was noteworthy that the Company actively participated in investor meetings held by SCIC to provide information to interested shareholders and investors on SCIC’s divestment of 9% stake from Vinamilk.

THE BOARD OF MANAGEMENT’S REPORT (continued)

SOME MAIN POINTS SHAREHOLDERS AND INVESTORS ARE INTERESTED IN

The discussions focused on ensuring the rights and obligations of shareholders, both minority and majority, and information related to becoming a shareholder of Vinamilk. The Company noted the interests of all parties on the following topics:



RESULTS AND ACTION PLANS



In general, according to the opinion of shareholders and investors receipted, Vinamilk's shareholder and investor relations operation has made new progress: more meaningful, more effective and more professional.

All information was provided reasonably and timely, satisfying shareholders' and investors' expectations, maintaining fairness and transparency in all information disclosed to all related parties.

To improve professionalism and efficiency of the IR department, the Company: i) maintained personnel in charge, ii) arranged and organized to provide the easiest, the most flexible and the best conditions for shareholders and investors to contact the Company, iii) always ensured fairness and transparency in all information disclosed to all the shareholders.

Investor Relations Department:

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RISK MANAGEMENT

In 2016, together with the general situation of the world, Vietnam faced many fluctuations in the economic, political and social environment. The implementation of the objectives set by the Company thus encountered so many difficulties and challenges. To Vinamilk, in order to achieve the strategic goals set out, its risk management activities were further emphasized, continuously improved and implemented throughout the Company. The main task of risk management is to identify potential risks, pinpoint obstacles that might impact the execution of targets, support and propose solutions to help the BOM make reasonable decisions to achieve the objectives.

Vinamilk’s risk management structure is maintained with three levels of defense: Establishment, Execution and Monitoring.

“ VINAMILK CURRENTLY MANAGES THE RISK PORTFOLIO IN ALL ASPECTS OF THE COMPANY’S OPERATIONS SUCH AS STRATEGY AND STRATEGY EXECUTION - PRODUCT QUALITY - HUMAN RESOURCES - FINANCE - ENVIRONMENT - CRISIS MANAGEMENT - COMPLIANCE. ”

MANAGEMENT OF IMPORTANT RISKS

Vinamilk currently manages the risk portfolio in all aspects of the Company’s operations such as Strategy and Strategy Execution - Product Quality - Human Resources - Finance - Environment - Crisis Management - Compliance. These risks are monitored regularly, assessed periodically and controlled strictly to prevent and mitigate losses in case they might occur. In particular, some of the important risks that Vinamilk paid more attention to in 2016 are:



Item	Risk	Risk description	Control measures
1	Risk in strategic planning	Lack of proper strategic planning to meet the Company’s long-term strategic objectives.	Building 2017 - 2021 strategy using the advanced approach supported by a leading strategic consulting company. Implementing the strategy to all Divisions/ Departments to help them understand the strategy and its objectives and to ensure consistency throughout the Company. Identifying core resources needed for implementation.
2	Risk in business plan implementation	Failure to implement business plans as assessed through the management of investment portfolio and specific projects.	Identifying the Company’s important plans and projects. Assigning specific in-charge departments for implementation. Building criteria for assessment of results. Periodically monitoring and evaluating to provide timely solutions.
3	Risk of disqualified products	Products do not meet quality, safety and hygiene standards.	Building controls by international standards. Regularly reviewing the controls to confirm their efficiency and compliance in every stage.
4	Risk of insufficient raw material input	Risk of interruption and insufficiency of input materials supply for the production.	Maintaining secure inventory management, supplier assessment and management and making reasonable purchase plans.
5	Risk of cattle disease	Risk of disease outbreaks leading to cattle’ death or reduced milk quality.	Applying biosafety hygiene to farms, taking care of cattle’s health using advanced methods and having appropriate medical treatment in special cases.
6	Risk in information security	Risk of system interruption, information security and IT hacks.	Applying ISO 27000 Information security system, periodically performing internal and external evaluation for the whole system. Upgrading technical infrastructure for information security protection solutions.
7	Risk of exchange rate fluctuations	Significant impacts on the performance and profitability of the Company caused by exchange rate fluctuations.	Estimating foreign currency needs, preparing reserve, forecasting and analyzing exchange rate fluctuations to balance needs and adjusting plans accordingly.

💧 ESPECIALLY, SEVERAL SOCIAL ISSUES SUCH AS ENVIRONMENTAL PROTECTION, ENVIRONMENTAL RISKS AND OTHER RELATED ISSUES ARE PAID GREAT ATTENTION TO AND REGULARLY MONITORED AT VINAMILK. RISKS OF CLIMATE CHANGE, NATURAL DISASTER AND ENVIRONMENTAL RESPONSIBILITY ARE ASSIGNED TO BE MANAGED, ASSESSED WITH A SPECIFIC SYSTEM, MEASURED AND MONITORED WITH THE INTEGRATION OF ENVIRONMENTAL INDICATORS UNDER THE SUSTAINABLE DEVELOPMENT REPORT.💧

As an overall remark, in 2016, we timely identified significant business risks and uncertainties, properly evaluated their impacts and proposed appropriate solutions to ensure the achievement of objectives set out.

CONTROL AND KRIs

The Control Self-Assessment (CSA) program is implemented every six months for all significant risks. Through this program, controls are defined, implemented and assessed as effective or not. From there, the control owners have the basis to adjust, improve and increase productivity.

Key Risk Indicators (KRIs) in 2016 were set for Operational Risks which can be quantitatively measured to give best warning of the probability that the risks may occur.

INTERNAL COMMUNICATIONS

A quarterly Risk Management Bulletin has been issued to each department to update information on risks, risk environment and lessons learnt in risk management in Vietnam and all over the world.

With such maintenance and improvement, risk levels of most of the risks are within the acceptable level, ensuring the harmony between benefits and costs, helping the Company to achieve its strategic objectives set out in 2016.



RISK MANAGEMENT IN 2017

2017 is the premise to implement strategies for a new tenure in 2017 - 2021; therefore, in Risk Management we also set out tasks to best support the achievement of the Company's strategy. At the same time, we pay more attention to integrating risk management as deeply as possible into key activities of the Company.

Risk portfolio review: Reviewing and identifying risk portfolio in line with the 2017 - 2021 strategy, focusing on critical risks that directly affect the achievement of strategic objectives. Also, staff in charge are appropriately assigned, based on their responsibility and authority.

Control evaluation: Maintaining evaluation every six months and extending it to all risks in the risk portfolio. The method used is continuously improved and The Risk Management Department will train and instruct in detail to all other departments in the Company.

Risk integration: Linking Risk Management with Project Management, Incident Management, Crisis Management and Operational Continuity. Reviewing the Company's control system in combination with risk-based internal audits to ensure the connection, consistency and optimization of assessment results

at the most reasonable cost of resources.

Establishment of risk measurement criteria: Quantifying risks specifically by new objectives, breaking down to each level and determining how to measure. Especially, defining the specific criteria for each assessed risk.

With the above highlights, risk management will be increasingly immersed in daily work and become an integral part, helping Vinamilk to meet its objectives and the risk management system itself to reach a new maturity level.

THE BOARD OF MANAGEMENT’S REPORT (continued)



“ IN ORDER TO BETTER MEET OVERSEAS CONSUMERS, VINAMILK WILL SPECIALIZE R&D FUNCTIONS (ORGANIZATIONAL STRUCTURE, PROCEDURES AND PERSONNEL), SPECIFICALLY IN SOME KEY, POTENTIAL TARGET MARKETS. ”



THE BOARD OF MANAGEMENT’S FUTURE ORIENTATIONS

“ AN INNOVATION AND REFORM IN THE PRODUCT PORTFOLIO WITH MORE THAN 160 NEW SKUS WILL MEET CUSTOMERS’ DEMAND AND BE SUPPORTED BY A HIGHLY AVAILABLE AND CONVENIENT DISTRIBUTION SYSTEM. ”

STRATEGY

In the context of business fluctuations, after careful and comprehensive analysis and assessment of all relevant factors, Vinamilk remains determined to move forward as the highest value-added company with strengths/competitive advantages in the traditional industries. Some basic highlights in the next five years are as follow:

- » Revenue and market share target: VND80,000 billion, equivalent to USD3.3 billion; no decrease in market share of any product category.
- » An innovation and reform in the product portfolio with more than 160 new products (SKUs) will meet customers’ demand and be supported by a

highly available and convenient distribution system.

- » Strongest commitment to invest in all phases for growth purpose will be executed, especially in scale of economies, distribution & marketing and human resources.
- » High readiness for mergers, acquisitions and cooperation under vertical integration to support the planned business model.
- » A diversified human resources program to ensure the competence to work in an excellent, interactive environment.
- » A sustainable, responsible business philosophy to be established and monitored in an effective and timely manner.

ACTION PLANS IN 2017

Marketing activities

- » Maintain the leading position in product innovation and new product development in all key product categories. Vinamilk has maintained its first position and led new trends, especially in convenient-packaging and specific-function products.
- » Stimulate growth by promoting mid-end and high-end segments with added values for urban areas and penetrating rural areas with popular products.
- » Enhance marketing activities to create higher value.

Research and Development activities (R&D)

In order to better meet overseas consumers, Vinamilk will specialize R&D functions (organizational structure, procedures and personnel), especially in some key, potential target markets.

Distribution activities

- » Local
 - » Continue to restructure and fortify distributors’ system capacity, taking rural and urban geography into account. At the same time, drastically and timely

actions are implemented to increase competitiveness in the market.

- » Intensify operations and effectiveness of e-commerce channels to optimize customers’ convenience. Delivery to each point of sale is focused as a top priority.
- » Continuously train and equip staff with knowledge and skills to improve personnel quality in accordance with models and structures of all distribution channels.

CONTINUE TO EXPAND INTO FOUR ADDITIONAL KEY, POTENTIAL MARKETS IN AFRICA WITH DIVERSIFIED AND EFFECTIVE TRADE PROMOTIONS TO INCREASE VINAMILK’S PRESENCE IN INTERNATIONAL MARKETS.



» International

- › Deploy the marketing business model and partner with distributors to increase revenue in potential Asian markets which have achieved some premise targets.
- › Continue to expand into four more key, potential markets in Africa with diversified and

effective trade promotions to increase Vinamilk’s presence in international markets.

- › Flexibly approach, promote and diversify business cooperations with international partners.

Procurement and logistics

- › Finalize final steps in planning and partnering with strategic suppliers/ partners. The standard system in supplier assessment will be integrated to ensure product efficiency and safety towards sustainable development.
- › Continue to study, develop and implement logistics warehouse

planning with necessary projects in accordance with the distribution system and production network.

Production activities

- › Implement projects to upgrade and expand existing factories and invest in new factories in accordance with the scheduled strategic investment plans.
- › Encourage and broadly apply solutions to optimize the overall cost of production. In addition, further strengthen the application of information technology in machinery and spare parts management.
- › Review and improve sustainable development factors by recording and evaluating many indicators under environmental protection, safety and health.

EXPAND AND ENHANCE THE SKILLED VETERINARY TEAM TO REACH THE LEVEL OF DEVELOPED COUNTRIES’ COUNTERPARTS.

Farm - Raw material zone

- › Upgrade and build new farms as planned. In farm design and development, integrating sustainable development requirements (especially environmental, waste, energy, fertilizer and renewable energy) and adapting to climate change will be focused.
- › Expand and enhance a skilled veterinary team to reach the level of developed countries’ counterparts.





» FURTHER ENHANCE SUSTAINABLE PARTNERSHIPS TO GAIN THE BEST ACHIEVEMENTS IN INVESTMENT AND POST-INVESTMENT. »

Investment in infrastructure projects

- » Concentrate resources on project preparation to find the best implementation solutions for optimizing factories, warehouses and farms (including new investments), especially new factories and megafarms for the first year of the next 5-year plan.
- » Further enhance sustainable partnerships to gain the best achievements in investment and post-investment.

Human resources

- » Continue to implement the next stages of the Personnel Succession and Talent Management programs in relation to the career path model along with the development of two success-creation leadership capabilities - Brave and Humble.
- » Fully implement the human resources system in strategic areas and deep penetration into international markets in accordance with the next 5-year strategy. The motivating factor is the development and adjustment of policies and procedures in line with the 5-year strategic direction, with the focus being the upgraded BSC.

» DEPLOY CULTURAL COMMUNICATION ACTIVITIES AND VINAMILK’S CULTURAL HANDBOOK TO PROMOTE EMPLOYEE BEHAVIORS TOWARDS THE CORE VALUES, THE EXCELLENT INTERACTIVE WORKING ENVIRONMENT AND OUTSTANDING ACHIEVEMENTS. »

- » Further improve working environment via motivation, encouragement, sports and entertainment to further enhance the position and align with the overall strategy.

Finance

- » Enhance the diversity, usefulness and completeness of executive reports and forecast and evaluate new and expansionary projects and assess post-investment efficiency to better meet managerial demands.
- » Strengthen cost control and management; continue to deploy the ERP management system to overseas subsidiaries, aiming for data synchronization throughout the Company.
- » Extend the scope of activity-based costing method to various areas of the value chain and further support to improve and enhance competitive advantages.

Other supporting functions

- » Deploy cultural communication activities and Vinamilk’s Cultural Handbook to promote employee behaviors towards core values, excellent interactive working environment and outstanding achievements.

- » Strengthen public relations and community activities to improve the Company’s reputation and employer brand, contributing to enhancing competitiveness and talent attraction.

- » Continue to improve the effective, LEAN-oriented internal control system in combination with information technology application to automate/digitize manual operations in order to enhance competitive advantages. Upgrade the ISO system to ISO 9001:2015 and extend the scope of operation meeting ISO 27001.

- » Review and develop a system of risk criteria and parameters in accordance with the new strategy in 2017 - 2021. Deploy the risk management to all subsidiaries and apply the Control Self Assessment in a new approach towards higher compatibility with the Internal Audit.
- » Invest in resources and legal partner network in the implementation of foreign investment/cooperation projects. Build online data and intellectual property management system.



HIGHLIGHTED HONORS AND AWARDS IN 2016



International and regional honors and awards:

NO.	HONORS/AWARDS	ORGANIZER/AWARDER
1	Top 300 most dynamic Asian companies (Asia 200)	Nikkei
2	Top 10 of Asia’s Top 1000 Brands (ranked fourth)	Campaign Asia-Pacific (according to AC Nielsen)
3	Ranked first in Top 40 Companies with most valuable brands	Forbes
4	Certificate of “Vietnam’s first organic dairy cow farm under EU standard”	The Control Union - Netherlands

National honors and awards:

NO.	HONORS/AWARDS	ORGANIZER/AWARDER
1	Top 100 ASEAN high quality products and services	Ministry of Culture, Sports & Tourism - MeKong News
2	Certificate of “Vietnamese High Quality Products 2016”, voted by customers in 20 consecutive years	Vietnamese High Quality Products Business Association & BSA
3	Top 100 best places to work in Vietnam, 2015 (ranked second)	Nielsen and Anphabe.com
4	Vietnam Top Brand 2015	Vietnam Economic Times
5	Certificate of “Top safe food brands, 2016”	Vietnam Food Safety Association
6	Certificate of “Vietnam Trusted Brand”, the 12 th time, 2016 (ranked first in Top 10)	Viet Brand Magazine
7	Vietnam’s 50 Best Performing Companies	Nhip cau dau tu Magazine
8	Ranked first in Top 10 best performing companies over many years	Nhip cau dau tu Magazine
9	Top 50 Dairy companies with the highest global sales (ranked 49 th)	Euro Monitor & KPMG’s report
10	V1000 – 2016, Ranking Table for 1000 companies that pay the highest taxes in Vietnam (ranked fifth)	V1000
11	Top 5 Companies with Excellent Investor Relations voted by investors	Vietstock
12	Top 5 Best Listed Companies	Vietstock
13	Top 5 Companies valued by Financial Institutions	Vietstock
14	Top 10 Most Reputable Listed Companies, 2016	Vietnam Report and Vietnamnet
15	Top 100 Trusted Brands	Vietnam Economic Times
16	Honor of “Excellent contributions to building and developing the Vietnam stock market, promoting socio-economic development”	Minister of Ministry of Finance
17	Title of “National Brand” for four consecutive times	Ministry of Industry and Trade
18	Certificate of “Sustainable Business, 2016”	Vietnam Chamber of Commerce and Industry

THE INSPECTION COMMITTEE’S REPORT

THE INSPECTION COMMITTEE’S ACTIVITIES

SUPERVISION OF THE BOARD OF DIRECTORS, CHIEF EXECUTIVE OFFICER AND BOARD OF MANAGEMENT IN THE MANAGEMENT AND OPERATION OF THE COMPANY

The Inspection Committee (IC) held four (04) official meetings in 2016 as follows:



Meetings/ Number of Attendees	Main contents
The 1 st meeting 07 Apr 2016	» Discussed with independent auditor on the audited results of 2015 financial statements.
4/4	» Discussed the inspection plan for key business processes in 2016. » Discussed the selection of independent auditor for financial year 2016.
The 2 nd meeting 28 Jul 2016	» Discussed with independent auditor on the audited results of financial statements for the first six months of 2016.
4/4	» » Discussed the work implemented by the IC in the six months, including: » The Internal Audit (IA)'s results; » Supervising the implementation of the AGM's resolutions and risk management activities. » Approved the 2016 remuneration policy for the IC's members.
The 3 rd meeting 16 Dec 2016 3/3	» Discussed the work implemented in 11 months. » Prepared for bidding and selecting independent auditor for the fiscal year 2017.
The 4 th meeting 21 Feb 2017 3/3	» Summarized the IC's and IA's activities in 2016. » Discussed bidders' fee proposals and selection procedures to submit to the AGM for approval of independent auditor for the financial year 2017.

In 2016, the IC supervised the BOD, CEO and BOM on four aspects: reasonability, legitimacy, honesty and prudence in business management and operation. The IC's supervision was conducted via the following activities:

Supervision of the activities the BOD, CEO and BOM

In 2016, the IC attended all of the BOD's quarterly meetings. Accordingly, the IC timely caught up with the actual business situation, participated in questioning and contributing to the BOD in decision making and implementation of goals approved by the AGM.

To the BOM, the IC supervised and controlled via planning and instructing IA's activities. Based on the audit results, the IC also suggested many ideas for the BOM's consideration to improve the internal control and management system.

In addition, the IC also verified

business operation reports at the BOD's meetings as well as re-examining through meetings with independent auditor during the review of quarterly, semi-annual and annual financial statements.

» **Conclusion:** In the IC's opinion, the company's management and operation of the BOD, CEO and BOM were conducted carefully, reasonably, effectively and in accordance with existing laws.

Risk management activities

The IC and IA proactively participated in quarterly meetings held by Risk Management Committee to update on risk assessment practices, cooperated action plans and future

plans. Information obtained from these meetings allowed the IC and IA to timely adjust their work plans towards focusing on key risks.

» **Conclusion:** The Vinamilk's risk management system has still been finalized and consolidated in 2016, and needed to be further deployed to every department to integrate more closely with production activities.

Investigation requested by shareholders

During the year, the IC did not receive any request for investigation from shareholders.



THE INSPECTION COMMITTEE’S REPORT (continued)

INSPECTION OF THE COMPANY’S FINANCIAL PERFORMANCE AND VERIFICATION OF FINANCIAL STATEMENTS

The IC discussed with Vinamilk’s independent auditor on the nature and scope of audit and established a procedure to work with the independent auditor (KPMG Vietnam Limited, hereinafter called KPMG), the BOM and the Risk Management Committee. The IC could and actually did involve actively in the process of issuing the Company’s quarterly and annual financial statements. In particular, the IC completely and effectively reviewed and analyzed fluctuations of key items in the financial statements, and then reported the findings to the BOD before releasing financial statements.

In 2016, KPMG for the first time applied computer-based Data Analytics technique in auditing at Vinamilk. This technique allowed extensive review of much more data to significantly improve the audit’s quality and was welcomed and fully cooperated by the BOM.

The IC has the below conclusions about the Company’s financial position and statements:

Financial position

Based on the IC’s assessment, Vinamilk maintained a very solid financial position in 2016 with key results as follows:

- » Fundamental ratios of receivable, indebtedness, liquidity, asset efficiency, provision, and owners’ equity were highly qualified, and
- » Actual revenue and profit exceeded the targets approved by the AGM.

Financial statements

In the IC’s opinion, the Company’s quarterly, semi-annual and annual business reports and financial statements were presented truly, fairly and consistently in accordance with the laws. The BOM maintained a reasonable prudence in accounting, statistics and financial reporting.

RECOMMENDATIONS TO THE BOD TO AMEND, SUPPLEMENT AND IMPROVE THE COMPANY’S ORGANIZATIONAL STRUCTURE

The IC attended and commented on the decision to transform governance model from the Inspection Committee into the Audit Committee under the BOD’s control.

SUGGESTION OF INDEPENDENT AUDITOR SELECTION

In 2016, the IC maintained a close coordination with KPMG. Audit fees and other consulting fees paid to KPMG in the financial year of 2016, excluding VAT, were as follows:

- » Financial statement audit fee: VND**1,529** million
- » Other consulting fees: VND**872** million

The IC believed that the nature and scope of the consulting services did not affect the independence and objectivity of the Independent Auditor in auditing the financial statements.

The IC informed the BOD the procedures for the AGM’s approval of independent auditor for the financial year 2017 at the latest AGM.



INTERNAL AUDIT’S ACTIVITIES

PERSONNEL ORGANIZATION AND
INTERNAL AUDIT’S PERFORMANCE
IN 2016

After five years of establishment, the IA has been increasingly attached to the Company’s business activities. The IA is not only a tool for the IC in supervision but also a supportive partner for the BOM to ensure compliance and improve the internal control system.

To prepare for the next five years, the IA employed more staff in 2016, from 6 to 11.

Based on the Company’s risk portfolio, the IA worked with the IC and CEO to identify key risks during the year, determine the business processes associated with these risks and conducted audits to evaluate the conformity of the control system and the compliance of the staff during the process.



In 2016, the IA completed the audit of the following processes:

- 1 Operation process of the Logistics Division
- 2 Raw material procurement and customs declaration
- 3 Business expenses management at branches
- 4 Product quality control at factories
- 5 Dairy cow farm management
- 6 Fresh milk procurement
- 7 Marketing activity management
- 8 Procurement process of the subsidiary (Vietnam Dairy Cow One Member Limited Company)
- 9 Transactions with related-parties
- 10 Supplier selection for internal investment projects



INTERNAL AUDIT’S RESULTS IN 2016

IA’s results in 2016 indicated a better control and compliance system of the Company, namely:

- » The average findings in each audit decreased by 55% as compared to 2015;
- » No significant findings recorded in 2016;
- » 85% of personnel re-audited in 2016 fully complied or complied better than in 2015.

Moreover, the IA also proposed to improve 42 internal control procedures/regulations of the Company for a more effective and stricter risk management system.

During the audits, the BOM also actively coordinated with the IA to tackle pending problems and improve the internal control system. Compliance criteria continued to be included in the annual assessment of all-manager level which helped raise awareness of compliance and risk management.

INTERNAL AUDIT’S PLAN IN 2017

In 2017, the IA will perform audits as follows:

- » Promote interaction with the risk management system, timely update the audit plan in accordance with changes in the Company’s risk portfolio;
- » In addition to auditing top risks at the Company level, the IA will conduct further audits at lower unit, department and procedure level.

OVER
30

million glasses of milk have
been donated to children across
the country



SUSTAINABLE DEVELOPMENT REPORT



ENHANCE

VIETNAMESE PEOPLE'S PHYSIQUE

IN 2016, VINAMILK COOPERATED WITH "STAND TALL VIETNAM" MILK FUND TO SUPPLY MILK TO 40,000 CHILDREN IN REMOTE AREAS, WITH THE DONATION'S VALUE OF UP TO VND22.5 BILLION. VINAMILK AIMS TO REDUCE THE RATE OF MALNOURISHED CHILDREN IN VIETNAM TO THE LOWEST LEVEL AND TO ENSURE THAT "EVERY CHILD HAS THE RIGHT TO DRINK MILK EVERY DAY".



“ AT VINAMILK, CHALLENGES IN THE NEW ERA ARE CLEARLY RECOGNIZED AND COPEd WITH VIA STRATEGIC SOLUTIONS. SOCIAL DEVELOPMENT BRINGS ABOUT MANY HUGE BENEFITS TO THE COMMUNITY, BUT IT ALSO RAISES UNCOUNTED CHALLENGES. ”

At the Sustainable Development Summit held by the United Nations (UN) in New York (US) in September 2015, 193 UN members, including Vietnam, passed Global Agenda on sustainable development toward 2030 with 17 Sustainable

Development Goals (SDGs) as a road map to eradicate poverty, stop gender inequality and prevent climate change.

In addition to governments and international organizations, the

agenda also emphasized on the role of the private sector which is considered a key determinant and contributor to guiding and investing in innovations so as to meet the sustainable development requirements and to contribute to the success of SDGs execution.

At Vinamilk, challenges in the new era are clearly recognized and coped with via strategic solutions. Social development brings about many huge benefits to the community, but it also raises uncoun ted challenges. The whole world is confronting numerous serious affairs such as food hygiene and safety, environmental pollution,

emerging epidemics, resource depletion and global warming. These issues are addressed specifically in the 17 SDGs.

We believe that to limit and solve the above mentioned issues, there must be a close cooperation and support from all individuals and organizations. Each individual and organization is a part of the society. On the one hand, individual and organizational developments also mean social development. On the other hand, social development places many positive impacts on each of its members. We have got to raise awareness of sustainable development and act with responsibility to the community and society. It is imperative and beneficial not only to ourselves but also to our current society and the future generations.

“ WE HAVE GOT TO RAISE AWARENESS OF SUSTAINABLE DEVELOPMENT AND ACT WITH RESPONSIBILITY TO THE COMMUNITY AND SOCIETY. ”

With that belief in mind, in addition to hindsight of our pride of the forty-year journey, Vinamilk also reviewed our solid footsteps on the path to sustainable development. From that point, we come up with strategies, execution agenda as well as specific objectives, based upon the spirit of the UN Summit, the government's orientations and stakeholders' interests.

Recalling our past journey, since 2012 when the concept of Sustainable Development remained unpopular

in Vietnam, Vinamilk has been one of the first companies to conduct the sustainable development report as initiated by Vietnam Securities Commission. By 2016, it has been five years since sustainable development officially became an integral part of our operational strategies and objectives, Vinamilk is very much proud of the values fetched to all relevant parties, the achievements on economy, environment, labor and product responsibility as well as the recognition for our sustainable development activities.



FIGURES AND EVENTS

The maturity of the management system over years

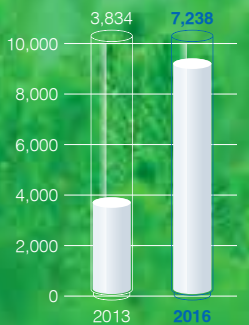
	2012	2016
Product quality management system	» 10/11 factories certified to HACCP	» 13/13 factories certified to FSSC 22000
Energy and environment management system	» 2/11 factories certified to ISO 50001 » 8/13 factories certified to ISO 14001	» 13/13 factories certified to ISO 50001 and ISO 14001
Occupational health and safety management system	» Coordinated with the consulting firm to implement the pilot Occupational Health and Safety Assessment Series system (OHSAS 18001:2007) at Dielac Factory	» 8/13 factories certified to OHSAS 18001:2007
Management system at dairy farms	» Gave directions and guidelines to apply the systems	» 8/9 farms certified to ISO 9001:2008 » 7/9 farms certified to Global Gap » And 1 farm qualified to Organic standards

Values to relevant parties

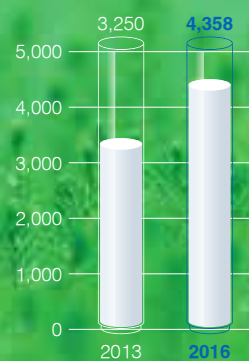
Parties	2013 (VND billion)	2016 (VND billion)	Growth rate
Shareholders	3,834	7,238	189%
State	3,250	4,358	134%
Suppliers	27,400	28,361	104%
Community	12	25	208%

Note: Statistics on values to related parties were first declared in 2013

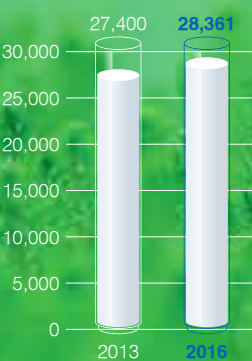
SHAREHOLDERS (VND billion)



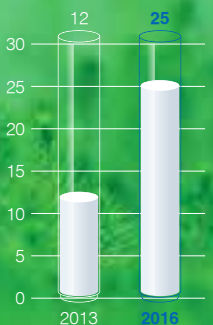
STATE (VND billion)



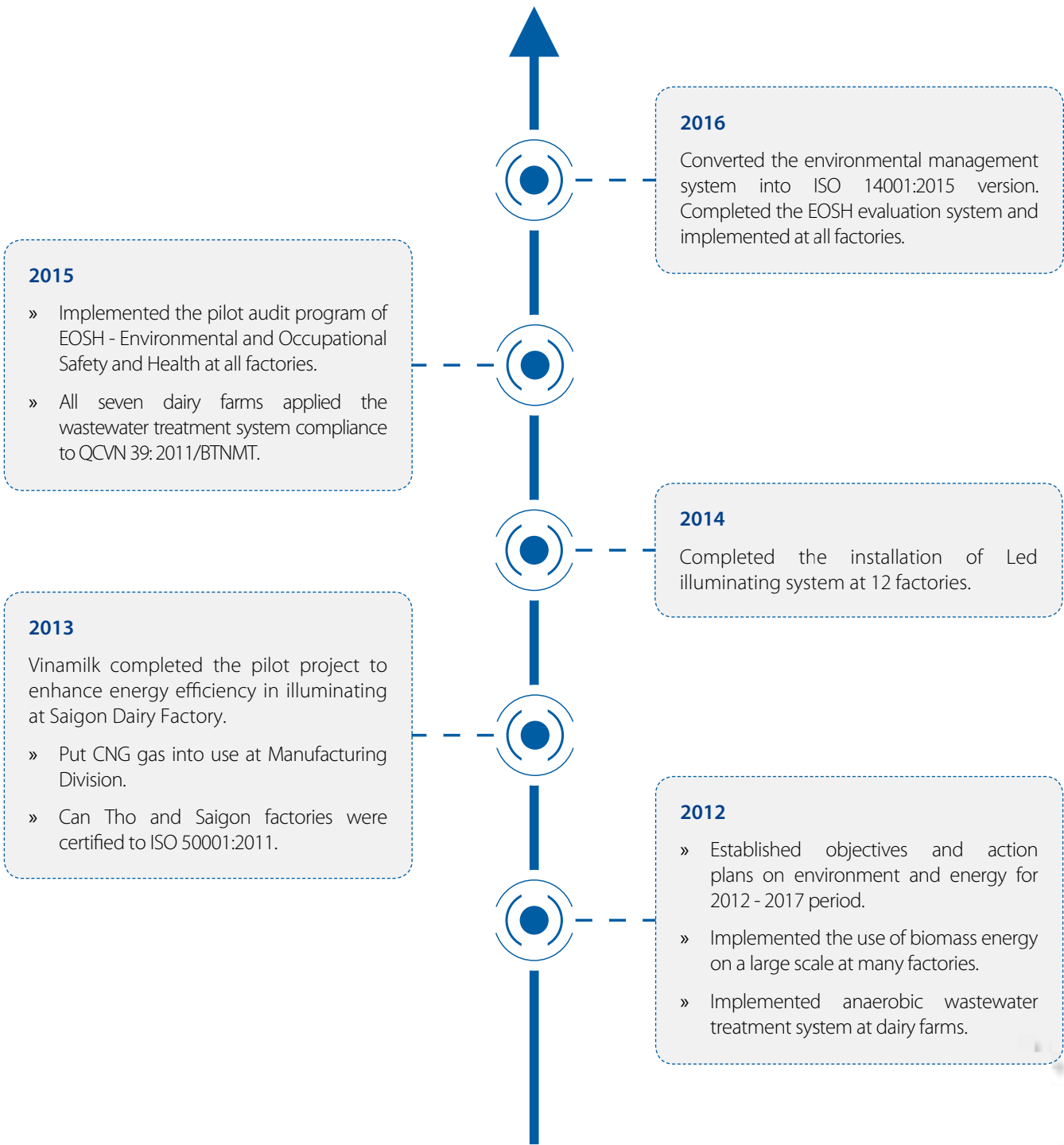
SUPPLIERS (VND billion)



COMMUNITY (VND billion)



Outstanding programs on energy, environment and occupational health and safety over the past few years:



SUSTAINABLE DEVELOPMENT REPORT (continued)

OPERATIONAL HIGHLIGHTS IN 2016

Overview of sustainable development

The remark of Vinamilk’s sustainable development roadmap in 2016 was the cooperation with PwC in providing a limited assessment of 2016 Sustainable Development Report, with a list of selected criteria covering the company’s key activities such as: product responsibility, environment, energy and labor safety. By performing assurance assessment for the sustainable development report, Vinamilk confirms the message of a transparent, prestigious and responsible company with every piece of information announced to the market.

In addition, in 2016, Vinamilk was listed on the Top 10 Sustainable Companies organized by VCCI, showing our great commitment to a better Vietnam. We also welcomed and implemented programs and orientations from the government and other prestigious sustainable development organizations in the world.

Working environment

Maintaining the leading position in creating an attractive working environment for employees, **Vinamilk Ranked Top 2 In The Vietnam’s 100 Best Places To Work Survey** conducted by the global

market research company Nielsen in partnership with Anphabe. Research criteria covered 6 major categories: salary, bonus, welfare; promotion opportunities; culture and value; the management; work and life quality; company reputation. This achievement was obtained by the combined efforts of incubating and developing talents, maintaining a safe working environment, equality and transparency in performance assessment, attractive welfare and bonus policies, competitive labor relations, transparency and efficiency in internal communication.



Aspects	Programs implemented in 2016
Talent management	Nurtured and developed talents with the 2016 Management Trainee Program and Talent Management Program
Training	Conducted Training and Consulting program for senior leaders and training programs on Leadership Model, Cultural Principles and Leadership Behaviors for the entire management officials
Working environment	Equality, transparency and efficiency in performance assessment: introduced to Vinamilk’s Common Competency Standards and guidance of performance assessment methods at all divisions within the Company. Safe working environment: conducted Periodic occupational safety and health check 2016
Labor relations	Qualified all new requirements of Vietnam Labor Code: Employee Conference 2016, Amendment to Collective labor agreement 2016, new Pay scale and Labor contract applied since January 1 st , 2016
Welfare and salary	Completed the assessment for Performance-based salary adjustment in 2016 Completed the Employee share ownership plan 2016
Internal communication	Structured and implemented internal communication activities to create a creative playground for employees and a professional working environment. Deployed Diamond Initiative Program in 2016.

Community - Society

Continued and expanded nutrition consulting programs for community’s health.

Health care to the elderly

Vinamilk organized health care workshops for the elderly and consulted on healthy dairy products through Vietnam Standard and Consumers Association, Women Association, Association of the Elderly and Veterans Association. Furthermore, we also organized a series of workshops for consumers and the elderly in Dong Nai, Nghe An, Phu Yen, Hanoi and Ho Chi Minh City to provide health consultations to more than 3,500 consumers and elderly people.

Additionally, Vinamilk also

partnered with Cho Ray General Hospital in providing nutrition consulting for one million inpatients and outpatients, in-depth training of clinical nutrition domestically and internationally for 600 medical staff. In the meantime, we also keep improving the research and development on specialized nutritious products for patients.

Pediatric nutrition consultation

Vinamilk worked together with Vietnam Pediatric Association to hold the 22nd National Pediatric Scientific Conference.

Stand Tall Vietnam milk fund

Vinamilk launched the Stand Tall Vietnam milk fund 2016 with budget of over VND22.5 billion for 40,000

students in 40 provinces. For instance: in Ninh Binh, we donated more than 80,000 glasses of milk, worth VND500 million; in An Giang: 111,000 glasses of milk to more than 1,200 children, in Vinh Long: over 130,000 glasses of milk.

School milk program

After nearly 10 years running the School milk program in responding to the National School milk program recently approved by the government, Vinamilk donated VND20 billion to this program. At the same time, Vinamilk initiated 2016 - 2017 School milk program in some provinces such as Dong Nai, Bac Ninh and Ba Ria Vung Tau with about half a million students to be sponsored to drink milk during the whole school year.



Local community

Vinamilk supported dairy cow farmers in breeding and improving dairy cows’ quality and prices to elevate competitiveness in the integration period. We also launched the cooperative program to supply bran to farming households in 2016.

Products

Vinamilk always pays attention to enhancing healthiness, diminishing sugar and unsaturated fat in product ingredients whilst still satisfying various tastes and sentiments of all customers. 2016 marked the onset of Vinamilk’s Organic foods development strategy following the global trend. We officially inaugurated our first organic product in Vietnam and established the production control system in accordance with EU Organic standards.

Continuously working towards perfection and constantly increasing nutritious value of each product, in 2016, 28 new products have been researched and developed, serving diversified demands from customers in terms of appetite, nutrition and sentiment for all ages.

Environment and energy

Environmental and energy activities have been effectively maintained by the management system in compliance with international standards. Vinamilk has continuously launched energy efficiency initiatives and programs to improve efficiency, reduce waste, utilize resources effectively and minimize impacts on the environment.

Factories

- » Increased biomass use by 17% compared to its in 2015.
- » Reduced CO₂ emissions equivalent to 3.49kg per ton of product compared to 2015.

Featured activities in 2016

- › Reconstruction of fuel limit used at factories.
- › Cross evaluation of factories in terms of environmental protection.
- › Training on raising awareness of environmental protection at factories under the theme of hazardous waste management.



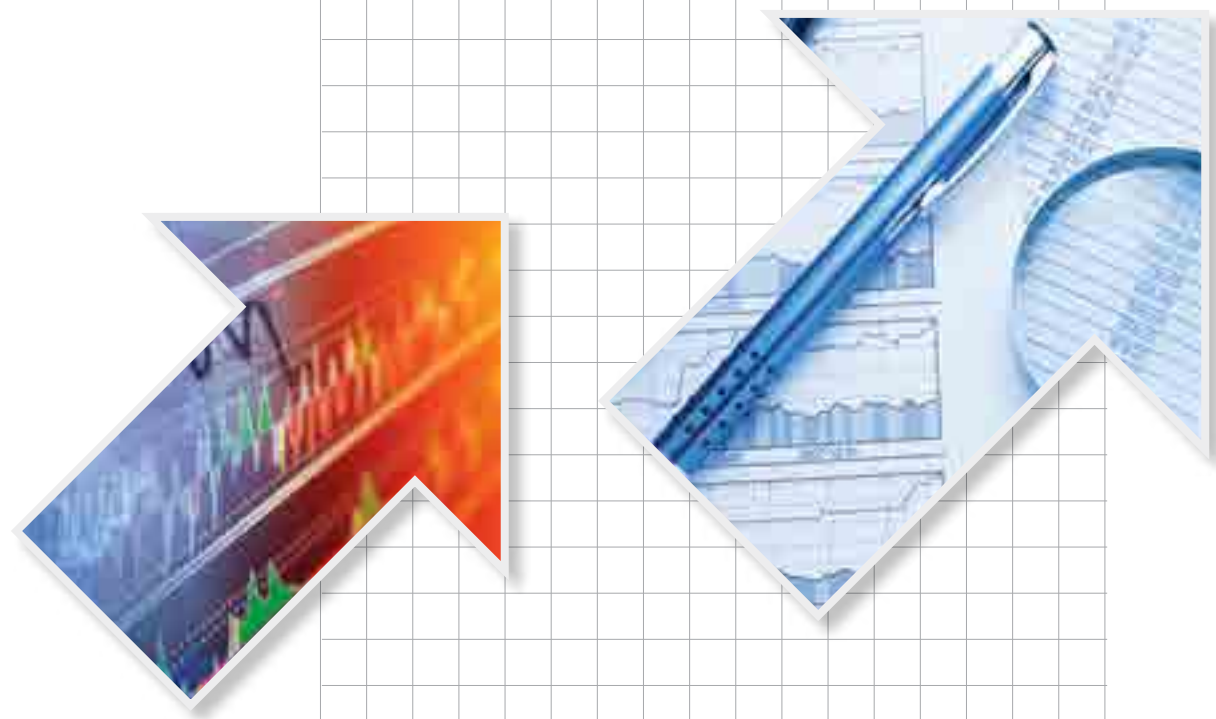
Dairy cow farms

We implemented our orientations on solar power system programs, power and water saving programs and other innovative initiatives. In 2016, Vinamilk, including our dairy cow farms, received an honor from Police General Department for prevention of crimes and violations in terms of environment, resources and food safety in 2006 - 2016 period.

Strategies and orientations in 2017 - 2020 period

- (i) Setting a three-year plan to finalize all related contents (including “Boundary”). Specifically, in 2017, Vinamilk will survey expectations and reasonable benefits from all stakeholders including (i) employees, (ii) major suppliers/partners and (iii) major shareholders.
- (ii) Completing management structure and development performance.
- (iii) Adequately evaluating the current condition of sustainable development throughout the company.
- (iv) Participating in specialized organizations, training for awareness.
- (v) Integrating sustainable development deeply into operational activities, revising and supplementing procedures on investment and supplier management, etc.
- (vi) Developing a roadmap to ensure applying GRI-4 standards for reports that are closely related to key areas and achievements in each specific period.

PROFIT AFTER TAX
VND **9,364**
BILLION



FINANCIAL STATEMENTS



ASPIRE

TO GO GLOBAL

WITH THE ASPIRATION FOR A “GLOBALIZED BRAND” - BRINGING VIETNAMESE MILK TO THE FIVE CONTINENTS, VINAMILK HAS BEEN CONSTANTLY INVESTING IN BUILDING MODERN, MEGA FACTORIES, CONTRIBUTING CAPITAL AND PURCHASING SHARES OF OVERSEAS MILK COMPANIES. THESE STEPS DEMONSTRATE THE STRONG SOURCES AND POSITION OF VINAMILK’S INVESTMENT STRATEGY FOR COMPREHENSIVE DEVELOPMENT TOWARDS THE WORLD’S TOP 50 LARGEST DAIRY COMPANIES.

SUMMARY OF KEY FINANCIAL INFORMATION 2012 - 2016

Some key financial information extracted from the audited consolidated and parent’s accounts in the last 5 years are below:



The consolidated accounts

(VND billion)	2012	2013	2014	2015	2016	CAGR
Total revenue	27,102	31,586	35,187	40,223	46,965	14.7%
Profit before tax	6,930	8,010	7,613	9,367	11,238	12.8%
Profit after tax	5,819	6,534	6,068	7,770	9,364	12.6%
Attributable to equity holders of the Company	5,819	6,534	6,069	7,773	9,350	12.6%
Basic earnings per share	6,981	6,533	4,556	4,864	5,831	
Total assets	19,698	22,875	25,770	27,478	29,379	10.5%
Owners’ equity	15,493	17,545	19,800	20,924	22,406	9.7%
Share capital	8,340	8,340	10,006	12,007	14,515	14.9%
Total liabilities	4,205	5,330	5,970	6,554	6,973	13.5%
Owners’ equity/Total assets	79%	77%	77%	76%	76%	
Total liabilities/Total assets	21%	23%	23%	24%	24%	
ROE	42%	40%	32%	38%	43%	
ROA	33%	31%	25%	29%	33%	

The parent’s accounts

(VND billion)	2012	2013	2014	2015	2016	CAGR
Total revenue	27,337	31,764	32,554	38,010	43,932	12.6%
Profit before tax	6,887	7,947	7,537	9,246	11,067	12.6%
Profit after tax	5,786	6,472	5,998	7,677	9,245	12.4%
Total assets	19,783	21,883	24,483	26,009	28,123	9.2%
Owners’ equity	15,394	17,385	19,449	20,358	21,794	9.1%
Share capital	8,340	8,340	10,006	12,007	14,515	14.9%
Total liabilities	4,388	4,498	5,034	5,651	6,329	9.6%
Owners’ equity/Total assets	78%	79%	79%	78%	77%	
Total liabilities/Total assets	22%	21%	21%	22%	23%	
ROE	42%	39%	33%	39%	44%	
ROA	33%	31%	26%	30%	34%	

VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY AND ITS SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

CORPORATE INFORMATION

Business Registration Certificate No.	4103001932 0300588569	20 November 2003 18 January 2017
The Company's business registration certificate has been amended several times, the most recent of which is by business registration certificate No. 0300588569 dated 18 January 2017. The business registration certification was issued by Ho Chi Minh City Planning and Investment Department.		
Board of Management	Mdm Le Thi Bang Tam Mdm Mai Kieu Lien Mr Le Song Lai Ms Ngo Thi Thu Trang Mr Lee Meng Tat Mr Ng Jui Sia Mr Le Anh Minh	Chairwoman Member Member Member Member (from 1 September 2016) Member (until 31 August 2016) Member
Board of Directors	Mdm Mai Kieu Lien Mr Mai Hoai Anh Ms Nguyen Thi Thanh Hoa Mr Trinh Quoc Dung Ms Ngo Thi Thu Trang Mr Tran Minh Van Mr Nguyen Quoc Khanh Mr Phan Minh Tien Ms Bui Thi Huong Mr Le Thanh Liem	Chief Executive Officer Chief Operating Officer cum Executive Director – Sales Executive Director – Supply chain Executive Director – Raw Materials Development Executive Director – Projects Executive Director – Production Executive Director – Research and Development Executive Director – Marketing Executive Director – Human Resource - Administration and Public Relation Acting Executive Director – Finance
Supervisory Board	Mr Nguyen Trung Kien Ms Nguyen Thi Tuyet Mai Mr Vu Tri Thuc Mr Nguyen Dinh An	Head of Supervisory Board Member Member Member (until 7 November 2016)
Registered Office	10 Tan Trao Tan Phu Ward, District 7 Ho Chi Minh City Vietnam	
Auditor	KPMG Limited Vietnam	

STATEMENT OF THE BOARD OF DIRECTORS

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 referred to as "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of the consolidated results of operations and consolidated 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 Group 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 consolidated financial position of the Group and which enable these consolidated financial statements to be prepared which complies with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 141 to 203 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, 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 for enterprises and the relevant statutory requirements applicable to financial reporting.

On behalf of the Board of Directors



Mai Kieu Lien
Chief Executive Officer

Ho Chi Minh City, 28 February 2017

FINANCIAL STATEMENTS AUDITOR’S REPORT

TO THE SHAREHOLDERS
VIETNAM DAIRY PRODUCTS JOINT STOCK COMPANY AND ITS SUBSIDIARIES

We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of Directors on 28 February 2017, as set out on pages 141 to 203.

MANAGEMENT’S RESPONSIBILITY

The Company’s Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 to obtain reasonable assurance about whether the consolidated financial statements are free of 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 judgement, including the 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 control relevant to the Company’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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company’s Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

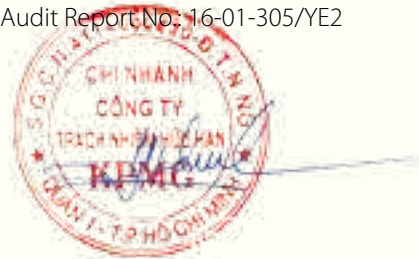
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDITOR'S OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Dairy Products Joint Stock Company and its subsidiaries as at 31 December 2016 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

KPMG LIMITED'S BRANCH IN HO CHI MINH CITY

Vietnam
Audit Report No. 16-01-305/YE2



Ha Vu Dinh
Practicing Auditor Registration
Certificate No. 0414-2013-007-1
Deputy General Director

Ho Chi Minh City, 28 February 2017

Lam Thi Ngoc Hao
Practicing Auditor Registration
Certificate No. 0866-2013-007-1

CONSOLIDATED BALANCE SHEET

as at 31 December 2016

Form B 01 – DN/HN

	Code	Note	31/12/2016 VND	1/1/2016 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		18,673,827,685,789	16,731,875,433,624
Cash and cash equivalents	110	5	655,423,095,436	1,358,682,600,684
Cash	111		599,923,095,436	1,212,517,600,684
Cash equivalents	112		55,500,000,000	146,165,000,000
Short-term financial investments	120		10,453,749,313,471	8,668,377,936,330
Trading securities	121	6(a)	443,132,521,486	525,980,876,577
Allowance for diminution in the value of trading securities	122	6(a)	(500,629,886)	(72,195,440,247)
Held-to-maturity investments	123	6(b)	10,011,117,421,871	8,214,592,500,000
Accounts receivable – short-term	130		2,866,683,958,798	2,685,469,151,432
Accounts receivable from customers	131	7	2,191,348,458,582	2,202,396,055,303
Prepayments to suppliers	132		288,808,403,942	126,289,719,352
Other short-term receivables	136	8(a)	390,619,273,181	359,995,340,900
Allowance for doubtful debts	137		(4,168,573,420)	(3,211,964,123)
Shortage of assets awaiting for resolution	139		76,396,513	-
Inventories	140	9	4,521,766,382,352	3,810,095,215,771
Inventories	141		4,538,439,873,598	3,827,369,319,952
Allowance for inventories	149		(16,673,491,246)	(17,274,104,181)
Other current assets	150		176,204,935,732	209,250,529,407
Short-term prepaid expenses	151	15(a)	59,288,353,847	156,056,494,506
Deductible value added tax	152		116,835,557,323	53,192,367,873
Taxes receivable from State Treasury	153		81,024,562	1,667,028

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

as at 31 December 2016 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2016 VND	1/1/2016 VND
Long-term assets (200 = 210 + 220 + 230 + 240 + 250 + 260)	200		10,704,828,639,675	10,746,300,510,728
Accounts receivable – long-term	210		21,855,008,176	20,898,388,770
Long-term loan receivables	215		7,245,908,762	5,573,700,349
Other long-term receivables	216	8(b)	14,609,099,414	15,324,688,421
Fixed assets	220		8,321,053,086,713	8,214,134,749,497
Tangible fixed assets	221	10	7,916,322,992,944	7,795,345,501,520
Cost	222		14,257,738,667,127	13,059,721,039,709
Accumulated depreciation	223		(6,341,415,674,183)	(5,264,375,538,189)
Intangible fixed assets	227	11	404,730,093,769	418,789,247,977
Cost	228		557,891,027,713	553,684,246,456
Accumulated amortisation	229		(153,160,933,944)	(134,894,998,479)
Investment property	230	12	136,973,382,326	142,368,204,632
Cost	231		179,678,050,557	179,678,050,557
Accumulated depreciation	232		(42,704,668,231)	(37,309,845,925)
Long-term work in progress	240		993,111,642,018	843,679,104,973
Long-term work in progress	241	13	127,671,589,409	82,393,992,187
Construction in progress	242	14	865,440,052,609	761,285,112,786
Long-term financial investments	250		613,806,560,199	940,365,020,223
Investments in associates	252	6(c)	419,909,385,728	397,130,670,931
Equity investments in other entities	253	6(c)	11,387,476,240	11,378,476,240
Allowance for diminution in the value of long-term financial investments	254	6(c)	(7,490,301,769)	(4,740,126,948)
Held-to-maturity investments	255	6(b)	190,000,000,000	536,596,000,000
Other non-current assets	260		618,028,960,243	584,855,042,633
Long-term prepaid expenses	261	15(b)	459,395,057,029	417,329,840,261
Deferred tax assets	262	16(a)	34,650,812,752	25,180,187,314
Goodwill	269	17	123,983,090,462	142,345,015,058
TOTAL ASSETS (270 = 100 + 200)	270		29,378,656,325,464	27,478,175,944,352

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

as at 31 December 2016 (continued)

Form B 01 – DN/HN

	Code	Note	31/12/2016 VND	1/1/2016 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		6,972,707,036,879	6,554,260,196,767
Current liabilities	310		6,457,497,982,894	6,004,316,835,213
Accounts payable to suppliers	311	18	2,561,910,262,979	2,193,602,809,261
Advances from customers	312		35,951,866,026	19,882,391,510
Taxes payable to State Treasury	313	19	255,510,130,860	215,807,811,014
Payables to employees	314		192,349,429,102	452,476,117,228
Accrued expenses	315	20	1,025,974,683,705	593,485,587,927
Unearned revenue	318		3,360,079,979	1,350,893,817
Other short-term payables	319	21	592,099,957,922	644,468,337,067
Short-term borrowings	320	22(a)	1,332,666,200,200	1,475,358,507,208
Provision – short-term	321		889,995,571	2,420,017,605
Bonus and welfare fund	322	23	456,785,376,550	405,464,362,576
Long-term liabilities	330		515,209,053,985	549,943,361,554
Long-term unearned revenue	336		1,663,272,218	2,598,840,218
Other long-term payables	337		589,208,918	2,814,519,233
Long-term borrowings	338	22(b)	326,970,398,182	368,170,178,853
Deferred tax liabilities	341	16(b)	90,025,589,500	89,034,118,250
Provision – long-term	342	24	95,960,585,167	87,325,705,000
EQUITY (400 = 410)	400		22,405,949,288,585	20,923,915,747,585
Owners' equity	410	25	22,405,949,288,585	20,923,915,747,585
Share capital	411	26	14,514,534,290,000	12,006,621,930,000
Share premium	412		260,699,620,761	-
Treasury shares	415	26	(1,176,335,920)	(5,388,109,959)
Foreign exchange differences	417		5,654,693,453	8,329,599,322
Investment and development fund	418	28	1,797,019,925,588	3,291,207,229,973
Retained profits	420		5,591,831,510,779	5,391,795,573,082
- Retained profits brought forward	421a		2,928,776,175,324	3,154,335,500,192
- Profit for the current year	421b		2,663,055,335,455	2,237,460,072,890
Non-controlling interest	429		237,385,583,924	231,349,525,167
TOTAL RESOURCES (440 = 300 + 400)	440		29,378,656,325,464	27,478,175,944,352

28 February 2017

Prepared by:



Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2016

Form B 02 - DN/HN

	Code	Note	2016 VND	2015 VND
Revenue from sales of goods and provision of services	01	30	46,965,003,101,825	40,222,599,525,948
Revenue deductions	02	30	170,663,701,551	142,215,015,202
Net revenue (10 = 01 - 02)	10	30	46,794,339,400,274	40,080,384,510,746
Cost of sales	11	31	24,458,633,395,995	23,817,969,568,510
Gross profit (20 = 10 - 11)	20		22,335,706,004,279	16,262,414,942,236
Financial income	21	32	722,560,775,263	648,981,742,038
Financial expenses	22	33	102,450,313,571	162,840,107,939
In which: Interest expense	23		46,499,350,049	31,277,451,964
Share of profit in associates	24	6(c)	16,478,714,797	12,898,974,260
Selling expenses	25	34	10,758,752,992,255	6,257,506,620,133
General and administration expenses	26	35	1,053,251,528,978	1,232,722,578,041
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		11,160,290,659,535	9,271,226,352,421
Other income	31	36	182,321,601,244	166,272,240,339
Other expenses	32	37	104,985,689,883	70,357,536,375
Results of other activities (40 = 31 - 32)	40		77,335,911,361	95,914,703,964
Accounting profit before tax (50 = 30 + 40)	50		11,237,626,570,896	9,367,141,056,385
Income tax expense – current	51	39	1,883,267,418,844	1,471,975,323,593
Income tax (benefit)/expense – deferred	52	39	(9,470,625,438)	125,612,981,095
Net profit after tax (60 = 50 - 51 - 52)	60		9,363,829,777,490	7,769,552,751,697

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2016 (continued)

Form B 02 - DN/HN

	Code	Note	2016 VND	2015 VND
Net profit after tax (60 = 50 - 51 - 52)	60		9,363,829,777,490	7,769,552,751,697
Attributable to:				
Equity holders of the Company	61		9,350,329,130,383	7,773,409,631,243
Non-controlling interest	62		13,500,647,107	(3,856,879,546)
Basic earnings per share	70	40	5,831	4,864

28 February 2017

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Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016 (Indirect method)

Form B 03 - DN/HN

	Code	Note	2016 VND	2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		11,237,626,570,896	9,367,141,056,385
Adjustments for				
Depreciation and amortisation	02		1,190,837,007,934	1,097,075,552,739
Allocation of goodwill	02		18,361,924,596	18,361,924,596
Allowances and provisions	03		24,851,964,200	9,746,294,608
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(1,318,867,186)	3,971,846,156
Losses on disposals of tangible fixed assets and construction in progress	05		23,313,975,174	12,204,756,318
Dividends and interest income	05		(660,177,839,434)	(558,765,316,003)
Share of profit in associates	05		(16,478,714,797)	(12,898,974,260)
Interest expense	06		46,499,350,049	31,277,451,964
Operating profit before changes in working capital	08		11,863,515,371,432	9,968,114,592,503
Change in receivables	09		(183,074,482,860)	165,561,724,757
Change in inventories	10		(1,036,885,160,204)	(498,539,245,611)
Change in payables and other liabilities	11		330,394,544,447	484,339,606,582
Change in prepaid expenses	12		84,053,128,168	(35,873,901,754)
Change in trading securities	13		11,421,007,510	124,141,507,400
			11,069,424,408,493	10,207,744,283,877
Interest paid	14		(34,203,620,310)	(27,330,327,473)
Income tax paid	15		(1,771,242,504,991)	(1,805,610,651,275)
Other payments for operating activities	17		(874,196,976,859)	(715,652,197,441)
Net cash flows from operating activities	20		8,389,781,306,333	7,659,151,107,688

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016 (Indirect method - continued)

Form B 03 - DN/HN

	Code	Note	2016 VND	2015 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(1,141,612,752,349)	(1,067,841,221,053)
Collections on disposals of fixed assets and other long-term assets	22		50,326,954,998	44,000,581,044
Payments for time deposits	23		(1,448,667,704,487)	(1,309,442,450,000)
Payments for purchase of debt instruments of other entities	23		-	(190,000,000,000)
Payments for granting loans	23		(1,672,208,413)	-
Receipts from collecting loans	24		-	1,821,603,322
Proceeds from sales of debt instruments of other entities	24		-	155,767,663
Payments for investments in other entities	25		(8,100,000,000)	(80,161,500,899)
Collections from investments in other entities	26		1,800,000,000	13,902,241,885
Receipts of interest and dividends	27		602,139,063,443	460,883,543,055
Net cash flows from investing activities	30		(1,945,786,646,808)	(2,126,681,434,983)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share capital issued	31		354,965,040,720	-
Proceeds from capital contribution by non-controlling interest	31		-	107,476,398,854
Payments for repurchase of treasury shares	32		(1,176,335,920)	-
Payments to acquire additional interests in a subsidiary from non-controlling interest	32		(68,145,358,428)	-
Proceeds from borrowings	33		4,071,885,136,592	3,973,222,371,269
Payments to settle loan principals	34		(4,260,046,315,599)	(3,782,739,882,737)
Payments of dividends	36		(7,238,478,492,000)	(6,002,261,574,354)
Net cash flows from financing activities	40		(7,140,996,324,635)	(5,704,302,686,968)
Net cash flows during the year (50 = 20 + 30 + 40)	50		(697,001,665,110)	(171,833,014,263)
Cash and cash equivalents at the beginning of the year	60		1,358,682,600,684	1,527,875,428,216
Effect of exchange rate fluctuations on cash and cash equivalents	61		(35,888,530)	(2,278,224,319)
Currency translation differences	62		(6,221,951,608)	4,918,411,050
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61 + 62)	70	5	655,423,095,436	1,358,682,600,684

28 February 2017

Prepared by:

Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:

Mai Kieu Lien
Chief Executive Officer

The accompanying notes are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

Form B 09 - DN/HN

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

1. REPORTING ENTITY

(a) Ownership structure

Vietnam Dairy Products Joint Stock Company ("the Company") is incorporated as a joint stock company in Vietnam.

(b) Principal activities

The principal activities of the Company are to:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
- Trade in food technology, spare parts, equipment, materials and chemicals;
- Trade in real estate which includes freehold and leasehold land use rights;
- Provide warehousing, loading and transportation for the internal usage supporting for the Company's product manufacturing and distribution;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee;
- Manufacture and sell plastic package;
- Manufacture and sell plastic products;
- Provide health care clinic services;
- Raising cattle and agricultural planting;
- Retail sugar, milk and products from milk, bread, jam, candy and products processed from cereal, flour, starch and other food; and
- Retail alcoholic drinks, non-alcoholic drinks (carbonated and non-carbonated soft drinks), natural mineral water, low-alcoholic or non-alcoholic wine and beer.

(c) Normal operating cycle

The normal operating cycle of the Company is within 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(d) Group structure

As at 31 December 2016, the Company had 6 subsidiaries (1/1/2016: 6 subsidiaries) as listed below:

Subsidiaries	% of ownership and voting rights	
	31/12/2016	1/1/2016
Vietnam Dairy Cow One Member Limited Company	100.00%	100.00%
Lamson Dairy Products One Member Company Limited (*)	100.00%	100.00%
Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia	100.00%	100.00%
Driftwood Dairy Holdings Corporation	100.00%	70.00%
Thong Nhat Thanh Hoa Dairy Cow Limited Company	96.11%	96.11%
Angkor Dairy Products Co., Ltd.	51.00%	51.00%

(*) Subsequent to year-end, this subsidiary was merged to the Company.

Driftwood Dairy Holdings Corporation is incorporated and operating in the United State of America, Angkor Dairy Products Co., Ltd. is incorporated and operating in Cambodia, Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia is incorporated and operating in Poland, other subsidiaries are incorporated and operating in Vietnam.

As at 31 December 2016, the Company had 3 associates (1/1/2016: 2 associates) as listed in Note 6(c).

As at 31 December 2016, the Group had 6,981 employees (1/1/2016: 6,661 employees).

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirement applicable to financial reporting.

(b) Basis of measurement

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

(c) Annual accounting period

The annual accounting period of the Group is from 1 January to 31 December.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(d) Accounting and presentation currency

The Company's accounting currency is Vietnam Dong ("VND"), which is also the currency used for consolidated financial statement presentation purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Group's share of net assets of the subsidiary and any consideration paid or received is recorded directly in retained profits under equity.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary when control is lost is stated at the carrying amount of the retained investment in the consolidated financial statements adjusted for appropriate shares of changes in equity of the investee since the acquisition date, if significant influence in the investee is maintained, or otherwise stated at cost.

(iv) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(v) Transactions eliminated on consolidation

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

(vi) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and account transfer selling rate, respectively, at the end of the annual accounting period quoted by the commercial bank where the Company and its subsidiaries most frequently conduct transactions.

All foreign exchange differences are recorded in the consolidated statement of income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to VND at exchange rates at the end of the accounting period. The income and expenses of foreign operations are translated to VND at average exchange rates of the period.

Foreign currency differences arising from the translation of foreign operations are recognised in the balance sheet under the caption "Foreign exchange differences" in equity.

(c) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Investments

(i) Trading securities

Trading securities are those held by the Group for trading purpose i.e. purchased for resale with the aim of making profits. Trading securities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at cost less allowance for diminution in value. An allowance is made for diminution in value of trading securities if market price of the securities item falls below its carrying amount. The allowance is reversed if the market price subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(ii) Held-to-maturity investments

Held-to-maturity investments are those that the Group's management has intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank, corporate bonds, redeemable preference shares which the issuers are required to repurchase at a certain date and granting loans held-to-maturity. These investments are stated at costs less allowance for diminution in the value.

(iii) Investment in equity instruments of other entities

Investment in equity instruments of other entities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investments are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the Group's management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(e) Accounts receivable

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

(f) Inventories

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

The Group applies the perpetual method of accounting for inventories.

(g) Tangible fixed assets

(i) Cost

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

(ii) Depreciation

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

- buildings and structures 10 – 50 years
- machinery and equipment 8 – 15 years
- motor vehicles 6 – 10 years
- office equipment 3 – 10 years
- livestock 6 years
- others 3 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(h) Intangible fixed assets

(i) Land use rights

Land use rights comprise:

- those granted by the State for which land use payments are collected;
- those acquired in a legitimate transfer; and
- rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use rights certificate issued by competent authority.

Definite lived land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over the valid term of land use rights certificate.

Indefinite lived land use rights are stated at cost and not amortised.

(ii) Software

Cost of acquiring of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over 2 – 6 years.

(iii) Others

Others represented trade mark and customer relationship, which are acquired through business combination and are initially recognised at fair value. Trade mark and customer relationship are amortised on a straight-line basis over 4 – 10 years.

(i) Investment property

(i) Cost

Investment property held to earn rental is stated at cost less accumulated depreciation. The initial cost of an investment property held to earn rental comprises its purchase price, cost of land use rights and any directly attributable expenditure of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after the investment property held to earn rental has been put into operation, such as repair and maintenance, is charged to the consolidated statement of income in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property held to earn rental, the expenditure is capitalised as an additional cost of the investment property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property held to earn rental. The estimated useful lives are as follows:

- land use rights 49 years
- infrastructure 10 years
- buildings 10 – 50 years

Indefinite lived land use rights are not amortised.

(j) Construction in progress

Construction in progress represents the costs of construction which have not been fully completed. No depreciation is provided for construction in progress during the period of construction.

(k) Long-term prepaid expenses

(i) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, and other costs incurred in conjunction with securing the use of leased land (“Circular 45”). These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

(ii) Tools and instruments

Tools and instruments include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 1 to 4 years.

(iii) Others

Others are recorded at cost and amortised on a straight-line basis over 2 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(l) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (gain from bargain purchase), it is recognised immediately in the consolidated statement of income.

Goodwill arising on acquisition of a subsidiary is amortised on a straight-line basis over 10 years. Carrying value of goodwill arising on acquisition of a subsidiary is written down to recoverable amount as management determines that it is not fully recoverable.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and is not amortised.

(m) Trade and other payables

Trade and other payables are stated at their cost.

(n) Provisions

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

Severance allowance

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

Provision for severance allowance to be paid to the existing eligible employees as at 31 December 2016 has been made based on the eligible employees’ years of service, being the total employees’ years of service less the number of years for which the employees participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group, if any, and their average salary for the six-month period prior to the end of the annual accounting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(o) Share capital

(i) Ordinary shares

Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from share premium.

(ii) Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares under equity. When treasury shares are sold for reissue subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

(p) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

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

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

(q) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(ii) Services rendered

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

(iii) Rental income

Rental income from leased property is recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iv) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

(v) Dividend income

Dividend income is recognised when the right to receive dividend is established.

(vi) Revenue from disposal of short-term and long-term financial investments

Revenue from disposal of short-term and long-term financial investments is recognised in the consolidated statement of income when significant risks and rewards of ownership have been transferred to the buyer. Significant risks and rewards of ownership have been transferred upon the completion of trading transaction (for listed securities) or the completion of the agreement on transfer of assets (for non-listed securities).

(r) Operating lease payments

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

(s) Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

(t) Dividend distribution

The Group'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.

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.

(u) Funds

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

- Bonus and welfare fund 10% of profit after tax
- Investment and development fund 10% of profit after tax

Utilisation of the above reserve funds requires approval of the shareholders, the Board of Directors or the Chief Executive Officer, depending on the nature and magnitude of the transactions involved as stated in the Company's Charter and financial regulations.

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company (after appropriation to bonus and welfare fund for the annual accounting period) by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

(w) Segment reporting

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

(x) Related parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SEGMENT REPORTING

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling expenses, 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 (“Overseas”). Segment assets and capital expenditure are not presented since the location of assets and production is mostly in Vietnam.

	Domestic (Customers located in Vietnam)		Overseas (Customers located in countries other than Vietnam)		Total	
	2016	2015	2016	2015	2016	2015
	VND	VND	VND	VND	VND	VND
Net revenue	38,098,772,683,879	32,160,905,237,291	8,695,566,716,395	7,919,479,273,455	46,794,339,400,274	40,080,384,510,746
Cost of sales	(20,065,856,588,756)	(19,261,905,095,133)	(4,392,776,807,239)	(4,556,064,473,377)	(24,458,633,395,995)	(23,817,969,568,510)
Segment income	18,032,916,095,123	12,899,000,142,158	4,302,789,909,156	3,363,414,800,078	22,335,706,004,279	16,262,414,942,236

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5. CASH AND CASH EQUIVALENTS

	31/12/2016 VND	1/1/2016 VND
Cash on hand	1,355,443,244	1,461,134,841
Cash in transit	828,777	-
Cash in banks	598,566,823,415	1,211,056,465,843
Cash equivalents	55,500,000,000	146,165,000,000
	655,423,095,436	1,358,682,600,684

6. INVESTMENTS

(a) Trading securities

	31/12/2016			1/1/2016		
	Carrying amount	Fair value	Allowance for diminution in value	Carrying amount	Fair value	Allowance for diminution in value
	VND	VND	VND	VND	VND	VND
Short-term investments in shares:						
• Bao Viet Joint Stock Commercial Bank (*)	442,000,000,000	442,000,000,000	-	442,000,000,000	442,000,000,000	-
• An Binh Commercial Joint Stock Bank	-	-	-	82,283,660,000	10,784,237,200	(71,499,422,800)
• Others	1,132,521,486	631,935,400	(500,629,886)	1,697,216,577	1,001,275,920	(696,017,447)
	443,132,521,486	442,631,935,400	(500,629,886)	525,980,876,577	453,785,513,120	(72,195,440,247)

(*) As at the reporting date, the Group has entered into a share purchase agreement to transfer its securities of Bao Viet Joint Stock Commercial Bank, the transaction has not been completed (Note 21). The carrying amount of the securities represented the expected realisable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

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(b) Held-to-maturity investments

	Note	31/12/2016 VND	1/1/2016 VND
Held-to-maturity investments - short-term			
• term deposits		9,711,117,421,871	8,214,592,500,000
• corporate bonds	(*)	300,000,000,000	-
		10,011,117,421,871	8,214,592,500,000
Held-to-maturity investments – long-term			
• term deposits		-	46,596,000,000
• corporate bonds	(*)	190,000,000,000	490,000,000,000
		190,000,000,000	536,596,000,000

(*) These amount represented investments in bonds issued by Ho Chi Minh Development Joint Stock Commercial Bank with an original maturity of 36 months from their placement dates. The bonds were unsecured, earned interest rates ranging from 7.5% to 8.4% per annum (2015: from 7.5% to 8%) and are receivable in June 2017 and September 2018, respectively.

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for the year ended 31 December 2016 (continued)

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(c) Investments in other entities

31 December 2016	Address	Note	% of equity owned	% of voting rights	Carrying amount VND	Fair value VND	Allowance for diminution in value VND
Equity investments in:							
Associates							
• Miraka Limited	109 Tuwharetoa, Taupo, New Zealand		22.81%	22.81%	338,642,990,088	(*)	-
• Asia Saigon Food Ingredients Joint Stock Company	Lot C-9E-CN, My Phuoc 3 Industrial Park, Ben Cat District, Binh Duong Province, Vietnam	(**)	15.00%	15.00%	72,902,360,632	(*)	-
• APIS Corporation	No. 18A, VSIP II-A, Road 27, Vietnam - Singapore II-A Industrial Park, Vinh Tan Commune, Tan Uyen Town, Binh Duong Province, Vietnam	(**)	18.00%	18.00%	8,364,035,008	(*)	-
Others					419,909,385,728		-
• Vietnam Growth Investment Fund (VF2)	Melinh Point Tower, 2 Ngo Duc Ke Street, District 1, Ho Chi Minh City, Vietnam				10,270,276,240	(*)	(7,490,301,769)
• An Khang Clinic – Pharmacy	184-186-188 Nguyen Dinh Chieu Street, District 3, Ho Chi Minh City, Vietnam				300,000,000	(*)	
• Others					817,200,000	(*)	-
					11,387,476,240		(7,490,301,769)
					431,296,861,968		(7,490,301,769)

(*) At the reporting date, the Group has not determined fair values of these financial instruments for disclosure in the consolidated financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these financial instruments may differ from their carrying amounts.

(**) Management assessed that the Group had significant influence over these entities because the Company has members in Board of Management of these two entities.

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1 January 2016	Address	Note	% of equity owned	% of voting rights	Carrying amount VND	Fair value VND	Allowance for diminution in value VND
Equity investments in:							
Associates							
• Miraka Limited	109 Tuwharetoa, Taupo, New Zealand		22.81%	22.81%	344,633,586,103	(*)	-
• Asia Saigon Food Ingredients Joint Stock Company	Lot C-9E-CN, My Phuoc 3 Industrial Park, Ben Cat District, Binh Duong Province, Vietnam	(**)	15.00%	15.00%	52,497,084,828	(*)	-
Others							
• Vietnam Growth Investment Fund (VF2)	Melinh Point Tower, 2 Ngo Duc Ke Street, District 1, Ho Chi Minh City, Vietnam				10,270,276,240	(*)	(4,740,126,948)
• An Khang Clinic – Pharmacy	184-186-188 Nguyen Dinh Chieu Street, District 3, Ho Chi Minh City, Vietnam				300,000,000	(*)	-
• Others					808,200,000	(*)	-
					11,378,476,240		(4,740,126,948)
					408,509,147,171		(4,740,126,948)

(*) At the reporting date, the Group has not determined fair values of these financial instruments for disclosure in the consolidated financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these financial instruments may differ from their carrying amounts.

(**) Management assessed that the Group had significant influence over this entity because a member of the Company's Board of Directors is a Board of Management member of this entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

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Movements of equity investments in associates during the year were as follows:

	2016 VND	2015 VND
Opening balance	397,130,670,931	317,972,437,657
Investments	8,100,000,000	80,161,500,899
Dividends received	(1,800,000,000)	(13,902,241,885)
Share of profits	16,478,714,797	12,898,974,260
Closing balance	419,909,385,728	397,130,670,931

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

	2016 VND	2015 VND
Opening balance	72,195,440,247	139,208,371,400
Increase in allowance during the year	-	2,444,264,188
Written back	(260,762,300)	(14,723,076,000)
Allowance utilised during the year	(71,439,561,606)	(54,745,741,894)
Translation differences	5,513,545	11,622,553
Closing balance	500,629,886	72,195,440,247

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

	2016 VND	2015 VND
Opening balance	4,740,126,948	4,857,290,601
Increase in allowance during the year	2,750,174,821	16,201,044
Allowance utilised during the year	-	(133,364,697)
Closing balance	7,490,301,769	4,740,126,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

7. ACCOUNTS RECEIVABLE FROM CUSTOMERS

Accounts receivable from customers detailed by significant customers

	31/12/2016 VND	1/1/2016 VND
Abdulkarim Alwan Foodstuff Trading (LLC)	429,110,901,892	203,761,695,760
Other customers	1,762,237,556,690	1,998,634,359,543
	2,191,348,458,582	2,202,396,055,303

8. OTHER RECEIVABLES

(a) Other short-term receivables

	31/12/2016 VND	1/1/2016 VND
Interest income from deposits	269,061,980,250	212,366,875,509
Interest income from bonds	17,595,726,029	16,252,054,779
Rebates receivable from suppliers	54,797,825,720	54,213,539,996
Import tax refundable	27,796,047,217	51,308,507,620
Short-term deposits	9,449,358,271	3,413,858,029
Receivables from employees	809,687,030	851,613,738
Advances to employees	3,185,564,959	2,472,642,740
Others	7,923,083,705	19,116,248,489
	390,619,273,181	359,995,340,900

(b) Other long-term receivables

	31/12/2016 VND	1/1/2016 VND
Long-term deposits	8,361,414,588	8,077,003,595
Others	6,247,684,826	7,247,684,826
	14,609,099,414	15,324,688,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

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9. INVENTORIES

	31/12/2016		1/1/2016	
	Carrying amount	Allowance	Carrying amount	Allowance
	VND	VND	VND	VND
Goods in transit	634,956,689,982	-	713,368,097,247	-
Raw materials	2,533,783,474,836	(7,137,697,729)	2,042,354,953,351	(4,540,567,450)
Tools and supplies	17,581,053,761	-	14,690,611,647	-
Work in progress	54,226,522,481	-	40,459,630,933	-
Finished goods	1,202,995,232,465	(9,535,793,517)	924,779,281,512	(12,733,536,731)
Merchandise inventories	90,105,103,241	-	63,254,608,363	-
Goods on consignment	4,791,796,832	-	28,462,136,899	-
	4,538,439,873,598	(16,673,491,246)	3,827,369,319,952	(17,274,104,181)

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

	2016 VND	2015 VND
Opening balance	17,274,104,181	13,124,371,843
Increase in allowance during the year	20,495,989,783	25,106,722,157
Written back	(10,690,570,501)	(14,757,077,585)
Allowance utilised during the year	(10,406,032,217)	(6,199,912,234)
Closing balance	16,673,491,246	17,274,104,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

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10. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Livestock	Others	Total
	VND	VND	VND	VND	VND	VND	VND
Cost							
Opening balance	2,755,511,942,189	8,550,599,129,792	751,737,636,813	484,461,722,452	436,181,269,278	81,229,339,185	13,059,721,039,709
Additions	15,375,530,144	80,389,786,381	69,732,206,711	25,392,581,985	-	6,998,174,587	197,888,279,808
Transfer from construction in progress	237,131,996,651	600,105,498,867	36,874,527,437	13,108,729,465	-	-	887,220,752,420
Transfer from inventories	-	-	-	-	272,283,691,202	-	272,283,691,202
Reclassification	11,839,362,577	(8,015,376,172)	-	(3,823,986,405)	-	-	-
Disposals	(14,029,576,250)	(38,864,141,756)	(12,542,148,178)	(1,707,116,991)	(102,650,375,681)	(943,675,936)	(170,737,034,792)
Other decreases	(462,424,134)	-	-	-	-	-	(462,424,134)
Translation differences	1,874,634,617	7,662,333,788	1,116,661,016	257,943,829	-	912,789,664	11,824,362,914
Closing balance	3,007,241,465,794	9,191,877,230,900	846,918,883,799	517,689,874,335	605,814,584,799	88,196,627,500	14,257,738,667,127
Accumulated depreciation							
Opening balance	593,380,740,026	3,857,225,278,208	314,040,785,468	304,141,447,160	134,940,947,189	60,646,340,138	5,264,375,538,189
Charge for the year	146,727,368,874	786,673,041,454	74,825,406,590	62,890,165,628	87,997,350,649	8,443,215,259	1,167,556,548,454
Reclassification	2,474,487,022	1,370,858,339	-	(3,845,345,361)	-	-	-
Disposals	(2,094,576,251)	(33,376,797,555)	(8,739,999,461)	(1,685,295,409)	(50,949,132,361)	(53,619,028)	(96,899,420,065)
Translation differences	548,463,146	4,282,751,198	590,714,860	169,362,807	-	791,715,594	6,383,007,605
Closing balance	741,036,482,817	4,616,175,131,644	380,716,907,457	361,670,334,825	171,989,165,477	69,827,651,963	6,341,415,674,183
Net book value							
Opening balance	2,162,131,202,163	4,693,373,851,584	437,696,851,345	180,320,275,292	301,240,322,089	20,582,999,047	7,795,345,501,520
Closing balance	2,266,204,982,977	4,575,702,099,256	466,201,976,342	156,019,539,510	433,825,419,322	18,368,975,537	7,916,322,992,944

Included in the cost of tangible fixed assets were assets costing VND1,666,304,535,994 which were fully depreciated as at 31 December 2016 (1/1/2016: VND1,274,052,869,357), but which are still in active use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. INTANGIBLE FIXED ASSETS

	Land use rights	Software	Others	Total
	VND	VND	VND	VND
Cost				
Opening balance	373,377,557,148	131,590,189,308	48,716,500,000	553,684,246,456
Addition	-	1,340,358,000	-	1,340,358,000
Translation differences	2,303,678,257	20,245,000	542,500,000	2,866,423,257
Closing balance	375,681,235,405	132,950,792,308	49,259,000,000	557,891,027,713
Accumulated amortisation				
Opening balance	26,543,438,045	76,751,381,576	31,600,178,858	134,894,998,479
Charge for the year	2,178,493,690	14,312,501,244	1,394,642,240	17,885,637,174
Translation differences	-	6,119,389	374,178,902	380,298,291
Closing balance	28,721,931,735	91,070,002,209	33,369,000,000	153,160,933,944
Net book value				
Opening balance	346,834,119,103	54,838,807,732	17,116,321,142	418,789,247,977
Closing balance	346,959,303,670	41,880,790,099	15,890,000,000	404,730,093,769

Included in the cost of intangible fixed assets were assets costing VND48,086,488,915 which were fully amortised as at 31 December 2016 (1/1/2016: VND48,086,488,915), but which are still in use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

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12. INVESTMENT PROPERTY

	Land use rights	Infrastructure	Buildings	Total
	VND	VND	VND	VND
Cost				
Opening and closing balance	82,224,238,170	6,464,218,561	90,989,593,826	179,678,050,557
Accumulated amortisation				
Opening balance	1,851,632,773	3,944,983,747	31,513,229,405	37,309,845,925
Charge for the year	793,556,901	630,586,190	3,970,679,215	5,394,822,306
Closing balance	2,645,189,674	4,575,569,937	35,483,908,620	42,704,668,231
Net book value				
Opening balance	80,372,605,397	2,519,234,814	59,476,364,421	142,368,204,632
Closing balance	79,579,048,496	1,888,648,624	55,505,685,206	136,973,382,326

The Group's investment property represents buildings and infrastructure held for earning rental income.

At the reporting date, the Group has not determined fair values of investment property held to earn rental for disclosure in the consolidated financial statements because there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of investment property held to earn rental may differ from its carrying amounts.

Included in the cost of investment property held to earn rental was assets costing VND7,892,173,774 which were fully depreciated as at 31 December 2016 (1/1/2016: VND7,541,595,410), but which are still in active use.

13. LONG-TERM WORK IN PROGRESS

Long-term work in progress represented cows under 16 months of age, which will be transferred to tangible fixed assets under livestock category at the end of the sixteen-month period, when the cows are ready for milk production.

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for the year ended 31 December 2016 (continued)

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14. CONSTRUCTION IN PROGRESS

	2016 VND	2015 VND
Opening balance	761,285,112,786	824,432,512,321
Additions	1,044,519,335,770	1,108,947,131,917
Transfer to tangible fixed assets	(887,220,752,420)	(1,021,415,383,817)
Transfer to intangible fixed assets	-	(28,197,705,229)
Transfer to inventories	(1,374,735,454)	(5,153,262,275)
Transfer to long-term prepaid expenses	(28,951,779,818)	(93,491,543,348)
Disposals	(3,270,493,241)	-
Other decreases	(19,493,943,201)	(25,242,167,757)
Translation differences	(52,691,813)	1,405,530,974
Closing balance	865,440,052,609	761,285,112,786

Major constructions in progress were as follows:

	31/12/2016 VND	1/1/2016 VND
Tay Ninh Dairy Cow Farm	233,475,427,576	236,872,364,848
Machinery and equipment – Vietnam Dairy Factory	179,888,609,336	-
Machinery and equipment – Saigon Dairy Factory	90,072,363,870	6,881,459,400
Machinery and equipment – Lam Son Dairy Factory	30,025,233,724	202,058,180,116
Others	331,978,418,103	315,473,108,422
	865,440,052,609	761,285,112,786

15. PREPAID EXPENSES

(a) Short-term prepaid expenses

	31/12/2016 VND	1/1/2016 VND
Prepaid tools and supplies expenses	24,807,070,386	10,647,392,756
Prepaid software deployment and networks maintenance expenses	5,166,842,293	4,312,079,769
Prepaid renovation and repair expenses	2,809,598,781	5,090,144,128
Prepaid operating lease expenses	7,007,482,846	15,894,422,496
Prepaid advertising expenses	5,746,426,437	4,448,905,912
Other short-term prepaid expenses	13,750,933,104	115,663,549,445
	59,288,353,847	156,056,494,506

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for the year ended 31 December 2016 (continued)

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(b) Long-term prepaid expenses

	Prepaid land costs	Tools and instruments	Other prepaid expenses	Total
	VND	VND	VND	VND
Opening balance	209,761,204,943	145,952,090,873	61,616,544,445	417,329,840,261
Additions	14,781,271,996	123,255,853,848	22,924,037,571	160,961,163,415
Transfer from construction in progress	15,600,000,000	-	13,351,779,818	28,951,779,818
Amortisation for the year	(7,452,961,053)	(83,992,013,504)	(55,494,401,960)	(146,939,376,517)
Other decreases	-	(1,306,566,174)	(208,000)	(1,306,774,174)
Translation differences	367,836,790	11,923,961	18,663,475	398,424,226
Closing balance	233,057,352,676	183,921,289,004	42,416,415,349	459,395,057,029

16. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

	Tax rate	31/12/2016 VND	1/1/2016 VND
Deferred tax assets			
Foreign exchange differences	20%	-	683,950,320
Accrued expenses and provisions	20%	35,072,880,406	24,496,236,994
		35,072,880,406	25,180,187,314
Deferred tax liabilities			
Foreign exchange differences	20%	(422,067,654)	-
Net deferred tax assets		34,650,812,752	25,180,187,314

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(b) Deferred tax liabilities

	Tax rate (*)	31/12/2016 VND	1/1/2016 VND
Deferred tax assets			
Accounts receivable	40%	2,354,816,280	2,328,882,180
Inventories	40%	1,170,465,209	1,157,574,623
Tax losses carry forwards	40%	45,796,087,384	45,291,725,188
Accrued expenses	40%	6,138,857,752	6,071,249,187
Others	40%	503,308,941	497,765,891
		55,963,535,566	55,347,197,069
Valuation allowance	40%	(42,225,681,578)	(41,760,641,032)
Total deferred tax assets		13,737,853,988	13,586,556,037
Deferred tax liabilities			
Fixed assets	40%	(103,616,162,711)	(102,475,015,544)
Others	40%	(147,280,777)	(145,658,743)
Total deferred tax liabilities		(103,763,443,488)	(102,620,674,287)
Net deferred tax liabilities		(90,025,589,500)	(89,034,118,250)

(*) Deferred tax liabilities have been recognised on deductible temporary differences and tax losses using the effective tax rate of Driftwood Dairy Holdings Corporation, a subsidiary incorporated and operating in the United State of America.

17. Goodwill

	2016 VND	2015 VND
Opening balance	142,345,015,058	160,706,939,654
Charge for the year	(18,361,924,596)	(18,361,924,596)
Closing balance	123,983,090,462	142,345,015,058

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18. ACCOUNTS PAYABLE TO SUPPLIERS

	31/12/2016		1/1/2016	
	Carrying amount	Repayable amount	Carrying amount	Repayable amount
	VND	VND	VND	VND
Associates				
APIS Corporation	8,760,950,000	8,760,950,000	-	-
Miraka Limited	-	-	74,684,584,840	74,684,584,840
Other suppliers	2,553,149,312,979	2,553,149,312,979	2,118,918,224,421	2,118,918,224,421
	2,561,910,262,979	2,561,910,262,979	2,193,602,809,261	2,193,602,809,261

The trade related amounts due to the related parties were unsecured, interest free and payable within 60 days from invoice date.

19. TAXES PAYABLE TO STATE TREASURY

	1/1/2016	Incurred	Paid	Translation differences	31/12/2016
	VND	VND	VND	VND	VND
Value added tax	113,591,963,122	1,998,672,605,825	(2,051,533,044,739)	24,520,644	60,756,044,852
Corporate income tax	62,789,950,010	1,883,267,418,844	(1,771,242,504,991)	(43,122,752)	174,771,741,111
Personal income tax	31,591,679,683	326,775,938,553	(343,451,370,897)	950,900	14,917,198,239
Import tax	3,233,139,248	141,943,317,441	(143,195,765,072)	(6,283,555)	1,974,408,062
Other taxes	4,601,078,951	47,484,828,177	(48,994,944,234)	(224,298)	3,090,738,596
	215,807,811,014	4,398,144,108,840	(4,358,417,629,933)	(24,159,061)	255,510,130,860

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20. ACCRUED EXPENSES

	31/12/2016 VND	1/1/2016 VND
Sale incentives, promotion	584,298,882,216	303,628,936,160
Advertising expenses	170,814,940,905	54,006,437,728
Transportation expenses	77,412,131,182	58,991,919,668
Repair and maintenance expenses	11,769,500,442	47,714,730,252
Fuel expenses	13,959,796,579	13,355,140,533
Expenses for outsourced employees	62,494,315,062	34,667,035,675
Rental fees	922,786,364	740,454,553
Interest expense	21,082,620,101	8,786,890,362
Others	83,219,710,854	71,594,042,996
	1,025,974,683,705	593,485,587,927

21. OTHER SHORT-TERM PAYABLES

	31/12/2016 VND	1/1/2016 VND
Other payables relating to financial investments (*)	448,007,419,155	448,007,419,155
Import duty payables	42,613,702,494	58,076,771,700
Short-term deposits received	71,249,658,216	63,776,967,568
Insurance and trade union fees	728,779,914	1,246,476,469
Outstanding checks in exceed of bank balance	8,189,608,390	22,824,654,805
Dividend payables	4,003,285,748	-
Others	17,307,504,005	50,536,047,370
	592,099,957,922	644,468,337,067

(*) Other payables relating to financial investments included an advance payment of VND447,822,000,000 received from a third party in respect of the future transfer of the Group's investment in Bao Viet Joint Stock Commercial Bank (Note 6(a)). As at the reporting date, the transfer has not been completed.

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for the year ended 31 December 2016 (continued)

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22. BORROWINGS

(a) Short-term borrowings

	1/1/2016	Incurred	Paid	Translation differences	31/12/2016
	VND	VND	VND	VND	VND
Short-term borrowings	1,453,626,907,208	3,959,777,224,432	(4,126,501,758,535)	363,827,095	1,287,266,200,200
Current portion of long-term borrowings	21,731,600,000	44,686,000,000	(21,628,024,000)	610,424,000	45,400,000,000
	1,475,358,507,208	4,004,463,224,432	(4,148,129,782,535)	974,251,095	1,332,666,200,200

Terms and conditions of outstanding short-term borrowings were as follows:

Lenders	Note	Currency	Annual interest rate	31/12/2016 VND	1/1/2016 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch					
• Loan 1	(i)	VND	4.90%	1,100,000,000,000	-
• Loan 2		USD	1.28%	-	677,460,000,000
The Bank of Tokyo-Mitsubishi UFJ Ltd. - Ho Chi Minh City Branch					
• Loan 1	(ii)	VND	4.90%	100,000,000,000	-
• Loan 2		USD	1.28%	-	564,550,000,000
Wells Fargo	(iii)	USD	2.748%	87,266,200,200	122,662,316,960
Deutsche Polska Spółka Akcyjna					
• Loan 1		EUR	1.10%	-	21,336,313,870
• Loan 2		PLN	2.81%	-	67,618,276,378
				1,287,266,200,200	1,453,626,907,208

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- (i) This borrowing has a maximum facility of VND3,300 billion and is unsecured.
- (ii) This borrowing has a maximum facility of USD50 million and is unsecured.
- (iii) This borrowing was secured by accounts receivable from customers with carrying amount of VND169,897 million as at 31 December 2016 (1/1/2016: VND226,111 million).

(b) Long-term borrowings

	31/12/2016 VND	1/1/2016 VND
Long-term borrowings	372,370,398,182	389,901,778,853
Repayable within 12 months	(45,400,000,000)	(21,731,600,000)
Repayable after 12 months	326,970,398,182	368,170,178,853

Terms and conditions of outstanding long-term borrowings were as follows:

Lenders		Currency	Annual interest rate	Year of maturity	31/12/2016 VND	1/1/2016 VND
Sumitomo Mitsui Banking Corporation	(i)	USD	2.71%	2020	363,200,000,000	246,950,000,000
Individuals	(ii)	VND	None	2039	9,170,398,182	10,824,975,403
Wells Fargo						
• Loan 1		USD	2.375%	2016	-	98,690,200,000
• Loan 2		USD	2.375%	2016	-	33,436,603,450
					372,370,398,182	389,901,778,853

- (i) This borrowing was secured by long-term deposits and fixed assets with carrying amount of VND76,500 million (1/1/2016: VND46,596 million) and VND424,927 million (1/1/2016: nil), respectively, as at 31 December 2016.
- (ii) These borrowings are unsecured.

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for the year ended 31 December 2016 (continued)

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23. BONUS AND WELFARE FUND

This fund is established by appropriating from retained profits as approved by shareholders at shareholders' meeting. This fund is used to pay bonus and welfare to the Company's and subsidiaries' employees in accordance with the Company's bonus and welfare policies.

Movements of bonus and welfare fund during the year were as follows:

	2016 VND	2015 VND
Opening balance	405,464,362,576	355,719,314,789
Appropriation	924,744,180,232	768,905,099,077
Utilisation	(873,423,166,258)	(719,160,051,290)
Closing balance	456,785,376,550	405,464,362,576

24. LONG-TERM PROVISIONS

Movements of long-term provisions during the year were as follows:

	Severance allowance VND
Opening balance	87,325,705,000
Increase in provision during the year	10,053,842,830
Provision used during the year	(1,418,962,663)
Closing balance	95,960,585,167

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for the year ended 31 December 2016 (continued)

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25. CHANGES IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Treasury shares VND	Foreign exchange differences VND	Investment and development fund VND	Retained profits VND	Non-con- trolling interest VND	Total VND
Balance at 1 January 2015	10,006,413,990,000	-	(5,388,109,959)	(161,099,075)	2,521,718,366,944	7,157,699,467,945	119,953,867,653	19,800,236,483,508
Bonus shares issued	2,000,207,940,000	-	-	-	-	(2,000,207,940,000)	-	-
Net profit for the year	-	-	-	-	-	7,773,409,631,243	(3,856,879,546)	7,769,552,751,697
Appropriation to equity funds	-	-	-	-	769,488,863,029	(769,488,863,029)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(768,905,099,077)	-	(768,905,099,077)
Dividends (Note 27)	-	-	-	-	-	(6,000,711,624,000)	(1,549,950,354)	(6,002,261,574,354)
Capital contribution by non-controlling interest	-	-	-	-	-	-	107,476,398,854	107,476,398,854
Adjustments	-	-	-	-	-	-	1,863,569,438	1,863,569,438
Currency translation differences	-	-	-	8,490,698,397	-	-	7,462,519,122	15,953,217,519
Balance at 1 January 2016	12,006,621,930,000	-	(5,388,109,959)	8,329,599,322	3,291,207,229,973	5,391,795,573,082	231,349,525,167	20,923,915,747,585
Share capital issued	2,507,912,360,000	260,699,620,761	5,388,109,959	-	(2,419,035,050,000)	-	-	354,965,040,720
Purchase of treasury shares	-	-	(1,176,335,920)	-	-	-	-	(1,176,335,920)
Capital refunds to non-controlling interest	-	-	-	-	-	(62,222,774,839)	(5,922,583,589)	(68,145,358,428)
Net profit for the year	-	-	-	-	-	9,350,329,130,383	13,500,647,107	9,363,829,777,490
Appropriation to equity funds	-	-	-	-	924,847,745,615	(924,847,745,615)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(924,744,180,232)	-	(924,744,180,232)
Dividends (Note 27)	-	-	-	-	-	(7,238,478,492,000)	(4,003,285,748)	(7,242,481,777,748)
Currency translation differences	-	-	-	(2,674,905,869)	-	-	2,461,280,987	(213,624,882)
Balance at 31 December 2016	14,514,534,290,000	260,699,620,761	(1,176,335,920)	5,654,693,453	1,797,019,925,588	5,591,831,510,779	237,385,583,924	22,405,949,288,585

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26. SHARE CAPITAL

The Company’s authorised and issued share capital is:

	31/12/2016		1/1/2016	
	Number of shares	VND	Number of shares	VND
Authorised share capital	1,451,453,429	14,514,534,290,000	1,200,662,193	12,006,621,930,000
Issued shares				
Ordinary shares	1,451,453,429	14,514,534,290,000	1,200,662,193	12,006,621,930,000
Treasury shares				
Ordinary shares	(27,100)	(1,176,335,920)	(522,795)	(5,388,109,959)
Shares currently in circulation				
Ordinary shares	1,451,426,329	14,513,357,954,080	1,200,139,398	12,001,233,820,041

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All 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.

Movements in share capital during the year were as follows:

	2016		2015	
	Number of shares	VND	Number of shares	VND
Opening balance	1,200,139,398	12,001,233,820,041	1,000,118,604	10,001,025,880,041
Shares issued under Employees Stock Option Plan (“ESOP”) during the year (*)				
• Issuance of new shares	8,887,731	88,877,310,000	-	-
• Reissuance of treasury shares	522,795	5,388,109,959	-	-
Bonus shares issued during the year (**)	241,903,505	2,419,035,050,000	200,020,794	2,000,207,940,000
Treasury shares purchased during the year	(27,100)	(1,176,335,920)	-	-
Closing balance	1,451,426,329	14,513,357,954,080	1,200,139,398	12,001,233,820,041

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for the year ended 31 December 2016 (continued)

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(*) On 13 July 2016, there were 9,410,526 ordinary shares (including 8,887,731 new ordinary shares and 522,795 treasury shares) issued to the Company’s employees under Employee Stock Option Plan (“ESOP”) at VND37,720 per share.

(**) On 7 September 2016, there were 241,903,505 bonus shares (2015: 200,020,794 bonus shares) issued to existing shareholders at the ratio of 1 new share for each 5 existing ordinary shares held.

27. DIVIDENDS

The Shareholders of the Company on 6 June 2016 and 31 August 2016 resolved to distribute dividends totally amounting to VND7,238 billion (VND2,000 per share for the first distribution and VND4,000 per share for the second distribution) (2015: VND6,001 billion (VND2,000 per share for the first distribution and VND4,000 per share for the second distribution)).

28. INVESTMENT AND DEVELOPMENT FUND

In accordance with the Company’s Charter, the Company appropriated 10% of its net profit after tax for the purpose of future business expansion and presented as Investment and development fund in the equity section. When the fund is utilised for business expansion, the amount utilised is transferred to share capital.

29. OFF BALANCE SHEET ITEMS

(a) Leases

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

	31/12/2016 VND	1/1/2016 VND
Within 1 year	29,027,143,771	25,336,827,248
From 2 to 5 years	64,918,173,271	53,819,969,794
Over 5 years	315,191,823,980	329,963,585,585
	409,137,141,022	409,120,382,627

(b) Foreign currencies

	31/12/2016		1/1/2016	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	793,767	18,018,504,317	22,791,963	511,679,564,411
EUR	797	19,013,213	19,731	481,733,342
		18,037,517,530		512,161,297,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

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(c) Capital commitments

At the reporting date, the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2016 VND	1/1/2016 VND
Approved and contracted	832,902,274,687	257,229,592,474

30. REVENUE FROM SALES OF GOODS AND PROVISION OF SERVICES

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

Net revenue comprised:

	2016 VND	2015 VND
Total revenue		
• Sales of finished goods	45,088,795,081,554	39,316,828,133,077
• Sales of merchandise goods	1,724,189,208,675	759,227,375,698
• Rental income from investment property	15,348,087,988	14,338,329,179
• Other services	58,757,721,588	50,347,479,867
• Sales of scraps	77,913,002,020	81,858,208,127
	46,965,003,101,825	40,222,599,525,948
Less revenue deductions		
• Sale discounts	(648,096,440)	(613,913,938)
• Sales allowances	(46,977,093,895)	(2,169,545,595)
• Sale returns	(123,038,511,216)	(139,431,555,669)
	(170,663,701,551)	(142,215,015,202)
Net revenue	46,794,339,400,274	40,080,384,510,746

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31. COST OF SALES

	2016 VND	2015 VND
Total cost of sales		
• Finished goods sold	21,872,624,507,790	21,535,782,480,054
• Cost of promotional goods	1,138,195,464,367	1,810,896,557,255
• Merchandise goods sold	1,418,989,239,429	431,399,465,197
• Operating cost of investment property	9,386,311,293	8,283,134,306
• Other services	9,148,398,155	5,297,368,026
• Under-capacity costs	484,055,679	15,960,919,100
• Allowance for inventories	9,805,419,282	10,349,644,572
	24,458,633,395,995	23,817,969,568,510

32. FINANCIAL INCOME

	2016 VND	2015 VND
Interest income from deposits	620,334,192,891	530,652,635,439
Interest income from corporate bonds	38,593,671,250	27,693,150,666
Foreign exchange gains	62,198,403,527	90,139,210,435
Dividends	980,729,583	93,233,390
Gains on disposal of trading securities	8,030	77,215,600
Others	453,769,982	326,296,508
	722,560,775,263	648,981,742,038

33. FINANCIAL EXPENSES

	2016 VND	2015 VND
Interest expense on borrowings	46,499,350,049	31,277,451,964
Interest expense on deposits received	2,389,947,521	2,263,051,997
Foreign exchange losses	49,553,805,011	141,526,644,713
Allowance/(written back of allowance) for diminution in the value of financial investments	2,489,412,521	(12,262,610,768)
Losses on disposal of trading securities	1,470,577,500	-
Reversal of discounts to distributors	-	(273,015,418)
Others	47,220,969	308,585,451
	102,450,313,571	162,840,107,939

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34. SELLING EXPENSES

	2016 VND	2015 VND
Staff costs	585,790,673,617	532,045,832,820
Materials expenses	37,395,046,161	42,207,833,043
Tools and supplies expenses	109,854,577,568	83,076,859,040
Depreciation expenses	38,765,880,497	35,163,159,190
Expenses of damaged goods	37,765,793,197	27,852,721,760
Transportation expenses	599,832,336,441	600,604,238,763
Outside service expenses	327,632,222,918	266,802,880,266
Advertising and market research expenses	2,074,503,973,229	1,807,132,731,558
Promotion, product display and sale support expenses	6,947,212,488,627	2,862,620,363,693
	10,758,752,992,255	6,257,506,620,133

35. GENERAL ADMINISTRATIVE EXPENSES

	2016 VND	2015 VND
Staff costs	373,210,670,759	632,138,253,862
Materials expenses	13,243,885,262	18,028,724,493
Office supplies	15,927,230,346	15,633,222,516
Depreciation expenses	87,997,049,942	81,344,851,071
Fees and duties	19,815,382,621	20,831,262,533
Allowance for doubtful debts and provision for severance allowance	12,533,717,997	11,659,260,803
Transportation expenses	42,113,499,607	46,856,620,341
Outside service expenses	279,820,861,164	228,283,691,069
Loading expenses	22,111,996,989	23,293,724,175
Per-diem allowances	47,244,388,376	35,496,668,568
Bank charges	10,354,479,579	8,687,186,125
Others	128,878,366,336	110,469,112,485
	1,053,251,528,978	1,232,722,578,041

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36. OTHER INCOME

	2016 VND	2015 VND
Rebate income from suppliers	100,525,060,680	79,652,573,289
Proceeds from disposals of tangible fixed assets	51,095,907,908	44,020,557,044
Proceeds from disposals of construction in progress	2,785,368,565	-
Compensations received from other parties	4,356,970,526	11,881,210,135
Others	23,558,293,565	30,717,899,871
	182,321,601,244	166,272,240,339

37. OTHER EXPENSES

	2016 VND	2015 VND
Book value of tangible fixed assets disposed	73,837,614,727	56,205,337,362
Book value of construction in progress disposed	3,270,493,241	-
Others	27,877,581,915	14,152,199,013
	104,985,689,883	70,357,536,375

38. PRODUCTION AND BUSINESS COSTS BY ELEMENT

	2016 VND	2015 VND
Raw material costs included in production costs	18,628,772,456,134	18,812,924,190,885
Labour costs and staff costs	1,996,826,287,370	2,081,129,447,067
Depreciation and amortisation	1,190,109,115,617	1,097,075,552,737
Outside services	2,092,594,477,113	1,871,562,626,528
Other expenses	10,746,432,440,371	6,967,546,379,161

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39. INCOME TAX

(i) Recognised in the consolidated statement of income

	2016 VND	2015 VND
Current tax expense		
Current year	1,878,787,864,681	1,483,785,417,085
Under/(over) provision in prior year	4,479,554,163	(11,810,093,492)
	1,883,267,418,844	1,471,975,323,593
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	(9,470,625,438)	125,612,981,095
Income tax expense	1,873,796,793,406	1,597,588,304,688

(ii) Reconciliation of effective tax rate

	2016 VND	2015 VND
Accounting profit before tax	11,237,626,570,896	9,367,141,056,385
Tax at the Company's tax rate	2,247,525,314,179	2,060,771,032,405
Tax rate differential applied to Company's branches and factories	(45,822,933,682)	(34,272,183,507)
Tax exempt income	(16,024,352,262)	(3,068,745,654)
Non-deductible expenses	9,321,355,251	6,830,967,388
Tax incentives	(339,788,398,372)	(441,328,763,137)
Deferred tax assets not recognised	14,106,254,129	17,948,071,954
Under/(over) provision in prior year	4,479,554,163	(11,810,093,492)
Write down of deferred tax assets due to reduction in tax rate from 22% to 20%	-	2,518,018,731
	1,873,796,793,406	1,597,588,304,688

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(iii) Applicable tax rates

The companies in the Group are required to pay income tax at rates ranging from 7.5% to 40%, depending on principle activities of its factories, on taxable profits. The Company and its subsidiaries, except Vietnam Dairy Cow One Member Limited Company, incurred the income tax charges.

40. BASIC EARNINGS PER SHARE

The calculation of earnings per share for the year ended 31 December 2016 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare fund, of VND8,425,584,950,151 (2015: VND7,005,672,060,067) and a weighted average number of ordinary shares outstanding of 1,444,976,498 (2015: 1,440,167,278), calculated as follows:

(i) Net profit attributable to ordinary shareholders

	2016 VND	2015 VND
Net profit for the year – attributable to ordinary shareholders before appropriation to bonus and welfare fund	9,350,329,130,383	7,773,409,631,243
Appropriation to bonus and welfare fund	(924,744,180,232)	(767,737,571,176)
Net profit for the year attributable to ordinary shareholders after appropriation to bonus and welfare fund	8,425,584,950,151	7,005,672,060,067

(ii) Weighted average number of ordinary shares

	2016	2015 Restated
Number of ordinary shares at the beginning of the year	1,200,139,398	1,000,118,604
Effect of bonus shares issued during the year	240,025,825	200,020,794
Effect of retrospective adjustments in relation to bonus shares issued in 2016	-	240,027,880
Effect of share issued under ESOP	4,813,253	-
Effect of treasury shares repurchased	(1,978)	-
Weighted average number of ordinary shares	1,444,976,498	1,440,167,278

As at 31 December 2016, the Company did not have potentially dilutive ordinary shares.

41. FINANCIAL RISK MANAGEMENT

(a) Overview

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risks.

The Company’s Supervisory Board oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board is responsible for developing and monitoring the Group’s risk management policies.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(c) Credit risk

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

(i) Exposure to credit risk

The total of carrying amounts of financial assets issued represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	Note	31/12/2016 VND	1/1/2016 VND
Cash and cash equivalents	(ii)	654,067,652,192	1,357,221,465,843
Held-to-maturity investments	(iii)	10,201,117,421,871	8,751,188,500,000
Accounts receivable from customers and other receivables	(iv)	2,567,862,867,313	2,525,445,056,752
		13,423,047,941,376	12,633,855,022,595

(ii) Cash and cash equivalents

Cash and cash equivalents at banks of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(iii) Held-to-maturity investments

Held-to-maturity investments include corporate bonds and term deposits. The Group’s exposure to credit risk from held-to-maturity investments is influenced by individual characteristics of the instrument issuer. In managing this risk, the Group management analyses the creditworthiness of the issuer before acquiring the instruments. Management assessed that the issuers had good track records and believe that credit risk on those instruments is low. Held-to-maturity investments that are term deposits at bank are mainly held with well-know financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

There was no allowance for diminution in the value of held-to-maturity investments as at 31 December 2016 and 1 January 2016.

(iv) Accounts receivable from customers and other receivables

The Group’s exposure to credit risk from accounts receivable from customers and other receivables is influenced mainly by the individual characteristics of each customer. In response to the risk, the Group’s management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group’s standard payment and delivery terms and conditions are offered. Credit purchase limit is established for each customer, which represents the maximum open amount without requiring approval from the Chief Executive Officer. The limit is reviewed if needed. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on a prepayment basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

Accounts receivable from customers and other receivables that are neither past due nor impaired are mostly companies with good collection track records with the Group. Management believes that those receivables are of high credit quality.

The aging of accounts receivable from customers and other receivables at year-end that were past due but not impaired was as follows:

	31/12/2016 VND	1/1/2016 VND
Past due 1 – 30 days	81,855,992,649	96,899,185,010
Past due 31 – 60 days	13,755,346,112	23,779,538,115
Past due 61 – 90 days	3,781,593,648	3,602,627,830
Past due more than 90 days	778,939,970	2,661,741,428
	100,171,872,379	126,943,092,383

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

	2016 VND	2015 VND
Opening balance	3,211,964,123	5,917,834,434
Increase in allowance during the year	2,503,289,567	36,939,471
Allowance utilised during the year	(1,588,624,041)	(2,905,930,653)
Translation differences	41,943,771	163,120,871
Closing balance	4,168,573,420	3,211,964,123

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

The financial liabilities with fixed or determinable payments have the following contractual maturities:

31 December 2016

	Carrying amount VND	Contractual cash flows VND	Within 1 year VND	1 – 2 years VND	2 – 5 years VND	Over 5 years VND
Accounts payable – trade	2,561,910,262,979	2,561,910,262,979	2,561,910,262,979	-	-	-
Payables to employees	192,349,429,102	192,349,429,102	192,349,429,102	-	-	-
Accrued expenses	1,025,974,683,705	1,025,974,683,705	1,025,974,683,705	-	-	-
Other short-term payables	592,099,957,922	592,099,957,922	592,099,957,922	-	-	-
Short-term borrowings	1,332,666,200,200	1,344,537,512,722	1,344,537,512,722	-	-	-
Other long-term payables	589,208,918	589,208,918	-	589,208,918	-	-
Long-term borrowings	326,970,398,182	364,085,654,849	15,584,306,667	8,612,380,000	330,718,570,000	9,170,398,182
	6,032,560,141,008	6,081,546,710,197	5,732,456,153,097	9,201,588,918	330,718,570,000	9,170,398,182

1 January 2016

	Carrying amount VND	Contractual cash flows VND	Within 1 year VND	1 – 2 years VND	2 – 5 years VND	Over 5 years VND
Accounts payable to suppliers	2,193,602,809,261	2,193,602,809,261	2,193,602,809,261	-	-	-
Payables to employees	452,476,117,228	452,476,117,228	452,476,117,228	-	-	-
Accrued expenses	593,485,587,927	593,485,587,927	593,485,587,927	-	-	-
Other short-term payables	644,468,337,067	644,468,337,067	644,468,337,067	-	-	-
Short-term borrowings	1,475,358,507,208	1,493,250,150,278	1,493,250,150,278	-	-	-
Other long-term payables	2,814,519,233	2,814,519,233	-	2,814,519,233	-	-
Long-term borrowings	368,170,178,853	397,799,646,142	33,297,676,461	101,787,994,278	251,889,000,000	10,824,975,403
	5,730,376,056,777	5,777,897,167,136	5,410,580,678,222	104,602,513,511	251,889,000,000	10,824,975,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

The Group manages its ability to meet the expected operational expenses and servicing its debts by investing its cash surpluses in short-term and long-term investments.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s results of operations or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the accounting currency of the Company, which is the VND. The currencies in which these transactions primarily are denominated are U.S Dollars (USD) and Euro (EUR).

The Group’s exposure to currency risk is managed by keeping the exposure to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term over-exposures.

Exposure to currency risk

At the reporting dates, the Group had the following net monetary asset/(liability) position exposed to currency risk:

	31/12/2016		1/1/2016	
	USD	EUR	USD	EUR
Cash and cash in banks	793,767	797	22,791,963	19,731
Accounts receivable from customers and other receivables	23,235,629	-	13,886,927	-
Accounts payable to suppliers and other payables	(27,364,040)	(1,007,932)	(24,515,508)	(1,363,805)
	(3,334,644)	(1,007,135)	12,163,382	(1,344,074)

The followings are the significant exchange rates applied by the Group:

	Exchange rates as at			
	31/12/2016 VND		1/1/2016 VND	
	Buying rate	Selling rate	Buying rate	Selling rate
USD 1	22,700	22,790	22,450	22,520
EUR 1	23,847	24,182	24,415	24,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016 (continued)

From B 09 - DN/HN

Below is an analysis of the possible impact on the net profit of the Group, after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases:

	Effect to net profit after tax VND
31 December 2016	
USD (1% strengthening)	(625,273,376)
EUR (2% weakening)	389,676,647
1 January 2016	
USD (5% strengthening)	10,582,721,426
EUR (6% weakening)	1,554,660,914

The opposite movement of the currencies would have the equal but opposite effect to the net profit after tax of the Group.

(ii) Interest rate risk

The changes of interest rates would not have significant impact on the consolidated net profit after tax of the Group.

(iii) Price risk

The Group invests in equity investments of listed and unlisted companies and is exposed to risks of price fluctuation of these investments. The risk factors affecting the performance of these investments include financial performance and position of invested companies and market conditions. The Board manages the former factor by selecting industries and entities to invest in. The latter factor is itself affected by general economic condition of Vietnam and behaviours of investors, which are all out of the Board’s control. These factors have caused conditions to be volatile in the past 2 years.

For investments in listed securities, if the share prices had increased or decreased by 10% with all other variables including tax rate being held constant, the Group’s consolidated net profit after tax would not have been significantly impacted.

42. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In addition to related party balances disclosed in other notes to the consolidated financial statements, the Group had the following transactions with related parties during the year:

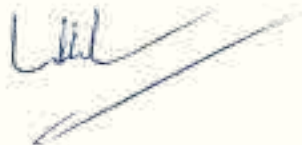
Related Party	Rela- tionship	Nature of transaction	2016 VND	2015 VND
Miraka Limited	Associate	Purchases of goods	24,586,164,960	456,404,881,496
		Capital contribution	-	80,161,500,899
Asia Saigon Food Ingredients Joint Stock Group	Associate	Sales of goods and services	5,912,758,807	510,424,095
APIS Corporation	Associate	Sales of goods and services	445,512,000	-
		Purchases of goods	21,767,504,800	-
		Capital contribution	8,100,000,000	-
Board of Management's and Board of Directors' members		Compensation	90,786,063,749	67,282,713,861
The State Capital Investment Corporation		Dividends	3,246,324,480,000	2,705,270,400,000

VIETNAM DAIRY PRODUCTS JOINT STOCK
COMPANY SEPARATE FINANCIAL STATEMENTS

for the year ended 31 December 2016

28 February 2017

Prepared by:



Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

SEPARATE BALANCE SHEET

as at 31 December 2016

Form B 01 - DN

	Code	Note	31/12/2016 VND	1/1/2016 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		17,801,341,382,408	15,822,463,925,273
Cash	110	5	485,358,843,152	1,067,935,585,325
Short-term financial investments	120		10,368,523,488,016	8,653,183,733,226
Trading securities	121	6(a)	442,023,488,016	524,884,057,132
Allowance for diminution in the value of trading securities	122	6(a)	-	(71,700,323,906)
Held-to-maturity investments	123	6(b)	9,926,500,000,000	8,200,000,000,000
Accounts receivable – short-term	130		2,702,207,940,196	2,558,257,733,837
Accounts receivable from customers	131	7	1,983,880,118,265	2,059,022,259,461
Prepayments to suppliers	132		240,402,985,745	108,355,688,039
Other short-term receivables	136	8(a)	478,323,444,840	390,914,195,337
Allowance for doubtful debts	137		(475,005,167)	(34,409,000)
Shortage of assets awaiting for resolution	139		76,396,513	-
Inventories	140	9	4,098,729,148,422	3,467,279,028,328
Inventories	141		4,115,402,639,668	3,484,395,015,086
Allowance for inventories	149		(16,673,491,246)	(17,115,986,758)
Other current assets	150		146,521,962,622	75,807,844,557
Short-term prepaid expenses	151	14(a)	33,324,800,182	38,346,903,574
Deductible value added tax	152		113,197,162,440	37,460,940,983

SEPARATE BALANCE SHEET

as at 31 December 2016 (continued)

Form B 01 - DN

	Code	Note	31/12/2016 VND	1/1/2016 VND
Long-term assets (200 = 210 + 220 + 230 + 240 + 250 + 260)	200		10,321,862,962,386	10,186,083,968,354
Accounts receivable – long-term	210		15,126,638,176	14,238,293,770
Long-term loan receivables	215		7,245,908,762	5,573,700,349
Other long-term receivables	216	8(b)	7,880,729,414	8,664,593,421
Fixed assets	220		5,790,522,519,072	6,195,233,101,403
Tangible fixed assets	221	10	5,612,296,370,375	6,002,218,183,000
Cost	222		10,748,406,433,591	10,302,040,639,636
Accumulated depreciation	223		(5,136,110,063,216)	(4,299,822,456,636)
Intangible fixed assets	227	11	178,226,148,697	193,014,918,403
Cost	228		297,619,795,932	296,279,437,932
Accumulated amortisation	229		(119,393,647,235)	(103,264,519,529)
Investment property	230	12	134,895,415,278	139,722,647,798
Cost	231		176,272,511,838	176,272,511,838
Accumulated depreciation	232		(41,377,096,560)	(36,549,864,040)
Long-term work in progress	240		430,308,443,075	277,294,577,637
Construction in progress	242	13	430,308,443,075	277,294,577,637
Long-term financial investments	250		3,616,419,284,278	3,255,627,270,385
Investments in subsidiaries	251	6(c)	3,126,810,823,122	2,500,056,584,693
Investments in associates	252	6(c)	319,289,808,669	311,189,808,669
Equity investments in other entities	253	6(c)	10,570,276,240	10,570,276,240
Allowance for diminution in the value of long-term financial investments	254	6(c)	(30,251,623,753)	(102,785,399,217)
Held-to-maturity investments	255	6(b)	190,000,000,000	536,596,000,000
Other non-current assets	260		334,590,662,507	303,968,077,361
Long-term prepaid expenses	261	14(b)	299,939,849,755	278,787,890,047
Deferred tax assets	262	15	34,650,812,752	25,180,187,314
TOTAL ASSETS (270 = 100 + 200)	270		28,123,204,344,794	26,008,547,893,627

SEPARATE BALANCE SHEET

as at 31 December 2016 (continued)

Form B 01 - DN

	Code	Note	31/12/2016 VND	1/1/2016 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		6,329,270,261,772	5,650,757,468,579
Current liabilities	310		6,233,534,218,272	5,563,657,738,579
Accounts payable to suppliers	311	16	2,568,934,375,909	2,118,962,866,700
Advances from customers	312		35,900,744,953	14,656,723,939
Taxes payable to State Treasury	313	17	245,031,363,448	204,127,132,111
Payables to employees	314		166,926,421,131	439,923,313,515
Accrued expenses	315	18	984,149,487,382	559,028,023,597
Unearned revenue	318		2,629,190,398	140,459,988
Other short-term payables	319	19	574,093,150,299	579,352,532,299
Short-term borrowings	320	20	1,200,000,000,000	1,242,010,000,000
Provision – short-term	321		889,995,571	2,420,017,605
Bonus and welfare fund	322	21	454,979,489,181	403,036,668,825
Long-term liabilities	330		95,736,043,500	87,099,730,000
Provision – long-term	342	22	95,736,043,500	87,099,730,000
EQUITY (400 = 410)	400		21,793,934,083,022	20,357,790,425,048
Owners’ equity	410	23	21,793,934,083,022	20,357,790,425,048
Share capital	411	24	14,514,534,290,000	12,006,621,930,000
Share premium	412		260,699,620,761	-
Treasury shares	415	24	(1,176,335,920)	(5,388,109,959)
Investment and development fund	418	26	1,794,957,937,585	3,289,455,938,121
Retained profits	421		5,224,918,570,596	5,067,100,666,886
- Retained profits brought forward	421a		2,666,821,870,886	2,925,674,513,466
- Profit for the current year	421b		2,558,096,699,710	2,141,426,153,420
TOTAL RESOURCES (440 = 300 + 400)	440		28,123,204,344,794	26,008,547,893,627

28 February 2017

Prepared by:

Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

SEPARATE STATEMENT OF INCOME

for the year ended 31 December 2016

Form B 02 - DN

	Code	Note	2016 VND	2015 VND
Revenue from sales of goods and provision of services	01	28	43,932,164,892,426	38,009,930,558,904
Revenue deductions	02	28	123,038,511,216	96,431,044,141
Net revenue (10 = 01 - 02)	10	28	43,809,126,381,210	37,913,499,514,763
Cost of sales	11	29	22,522,706,121,326	22,470,518,366,089
Gross profit (20 = 10 - 11)	20		21,286,420,259,884	15,442,981,148,674
Financial income	21	30	775,693,544,401	639,783,992,634
Financial expenses	22	31	(1,239,350,917)	114,125,221,658
In which: Interest expense	23		29,633,689,355	13,936,351,072
Selling expenses	25	32	10,320,592,720,769	5,883,383,256,260
General and administration expenses	26	33	788,972,501,837	962,654,397,973
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		10,953,787,932,596	9,122,602,265,417
Other income	31	34	263,295,376,038	243,666,523,615
Other expenses	32	35	150,146,674,029	120,734,150,499
Results of other activities (40 = 31 - 32)	40		113,148,702,009	122,932,373,116
Accounting profit before tax (50 = 30 + 40)	50		11,066,936,634,605	9,245,534,638,533
Income tax expense – current	51	37	1,831,036,765,405	1,442,545,945,664
Income tax (benefit)/expense – deferred	52	37	(9,470,625,438)	125,612,981,095
Net profit after tax (60 = 50 - 51 - 52)	60		9,245,370,494,638	7,677,375,711,774

28 February 2017

Prepared by:

Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 December 2016 (Indirect method) Form B 03 - DN

	Code	Note	2016 VND	2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		11,066,936,634,605	9,245,534,638,533
Adjustments for				
Depreciation and amortisation	02		898,148,802,451	876,974,011,354
Allowances and provisions	03		(52,422,845,107)	(6,408,292,749)
Exchange (gain)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(1,318,867,186)	3,971,846,156
Gains on disposals of tangible fixed assets and construction in progress	05		(8,235,817,112)	(29,185,557)
Gain on fixed assets revaluation for investments in other entities	05		-	(31,819,572,312)
Dividends and interest income	05		(737,410,536,886)	(568,382,740,773)
Interest expense	06		29,633,689,355	13,936,351,072
Operating profit before changes in working capital	08		11,195,331,060,120	9,533,777,055,724
Change in receivables	09		(160,447,236,353)	4,716,611,940
Change in inventories	10		(641,911,165,310)	(104,950,486,317)
Change in payables and other liabilities	11		491,914,423,870	707,401,466,587
Change in prepaid expenses	12		(13,380,568,323)	9,621,315,706
Change in trading securities	13		11,421,007,510	124,141,507,400
			10,882,927,521,514	10,274,707,471,040
Interest paid	14		(15,991,217,076)	(11,011,405,053)
Income tax paid	15		(1,722,453,829,341)	(1,778,837,496,979)
Other payments for operating activities	17		(873,366,606,379)	(713,985,716,879)
Net cash flows from operating activities	20		8,271,115,868,718	7,770,872,852,129

SEPARATE STATEMENT OF CASH FLOWS

for the year ended 31 December 2016 (Indirect method - continued) Form B 03 - DN

	Code	Note	2016 VND	2015 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(743,276,724,586)	(478,842,215,913)
Collections on disposals of fixed assets and other long-term assets	22		157,426,587,913	109,734,366,971
Payments for time deposits	23		(1,379,904,000,000)	(1,350,000,000,000)
Payments for purchase of debt instruments of other entities	23		-	(190,000,000,000)
Payments for granting loans	23		(1,672,208,413)	-
Receipts from collecting loans	24		-	1,821,603,322
Payments for investments in other entities	25		(634,854,238,429)	(693,316,294,124)
Collections on investments in other entities	26		-	155,767,663
Receipts of interest and dividends	27		675,323,648,354	470,382,978,056
Net cash flows from investing activities	30		(1,926,956,935,161)	(2,130,063,794,025)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share capital issued	31		354,965,040,720	-
Payment for repurchase of treasury shares	32		(1,176,335,920)	-
Proceeds from borrowings	33		1,200,000,000,000	1,242,010,000,000
Payments to settle loan principals	34		(1,242,010,000,000)	(1,110,720,000,000)
Payments of dividends	36		(7,238,478,492,000)	(6,000,711,624,000)
Net cash flows from financing activities	40		(6,926,699,787,200)	(5,869,421,624,000)
Net cash flows during the year(50 = 20 + 30 + 40)	50		(582,540,853,643)	(228,612,565,896)
Cash at the beginning of the year	60		1,067,935,585,325	1,298,826,375,540
Effect of exchange rate fluctuations on cash	61		(35,888,530)	(2,278,224,319)
Cash at the end of the year (70 = 50 + 60 + 61)	70	5	485,358,843,152	1,067,935,585,325

28 February 2017

Prepared by:

Le Thanh Liem
Acting Executive Director – Finance
cum Chief Accountant

Approved by:

Mai Kieu Lien
Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME (UNDER IFRS)

As at 31 December 2016

In addition to financial statements under Vietnam Accounting Standards (VAS), Vinamilk is pleased to present the briefing consolidated statement of income under International Financial Reporting Standards (IFRS) audited by KPMG Limited (Vietnam) as follow:

	2016 VND million	2015 VND million
I. PROFIT OR LOSS		
Total revenue	41,315,152	38,178,396
Cost of sales	(25,009,022)	(24,085,633)
Gross profit	16,306,130	14,092,763
Other income	74,623	68,131
Selling expenses	(5,621,158)	(4,540,368)
General and administration expenses	(1,267,857)	(1,453,908)
Other (losses)/gains – net	(81,330)	37,951
Results from operating activities	9,410,408	8,204,569
Finance income	658,928	558,347
Finance cost	(78,506)	(92,839)
Net finance income	580,422	465,508
Share of profit of equity accounted investees	16,479	12,899
Profit before tax	10,007,309	8,682,976
Income tax	(1,858,564)	(1,621,922)
Net profit from continuing operations	8,148,745	7,061,054
Net loss from discontinued operations (net of income tax)	-	-
Net profit	8,148,745	7,061,054
II. OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit and loss		
Net change in fair value of available-for-sale financial assets	53,711	(89,127)
Total comprehensive income	8,202,456	6,971,927
Net profit attributable to		
Owners of the Group	8,135,244	7,064,911
Non-controlling interest	13,501	(3,857)
Net profit	8,148,745	7,061,054

	2016 VND million	2015 VND million
Total comprehensive income attributable to		
Owners of the Group	8,188,955	6,975,784
Non-controlling interest	13,501	(3,857)
Total comprehensive income	8,202,456	6,971,927
Earnings per share		
Basic earnings per share (in VND)	5,630	4,906
Basic earnings per share from continuing operations (in VND)	5,630	4,906





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