



GLOBAL STANDARDS GROWING WORLDWIDE

ANNUAL | 2019





Total revenue (consolidated)

VND 56,400 billion



Total export countries

53



Profit after tax (consolidated)

VND 10,554 billion



Total number of employees

9,803



The most valuable brand in Vietnam

USD 2.2 billion



Total number of retailers

251,000



Market capitalization

VND 202,907 billion



GLOBAL G.A.P certified dairy farms

12



Total market share of Vinamilk

Increased 0.2%



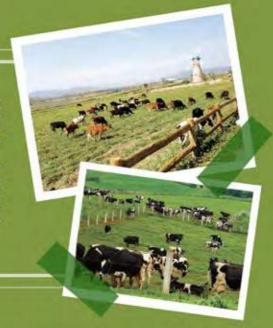
Total dairy cows

130,000



HIGHLIGHTS 2019

2019 – a year of change to grow. Vinamilk has continued to accomplish the second half of the 5-year strategic plan by developing and diversifying its product portfolio, launching and re-launching new products; continuing in opening new export markets; executing strategic investments and involving in various new activities.





2019 has been a successful year of export activities as the Company was able to enter into a major and potential market which is China.



Developed 02 more new export markets in the year



Participated in 15 trade fairs and international conferences.



Vinamilk has become the primary sponsor of Vietnamese National football team. On July 2nd of 2019, Vinamilk and Vietnam Football Federation signed a sponsorship contract with the mission of "For a Stand Stall Vietnam". By signing this contract, Vinamilk endeavors to accompany and support Vietnamese football teams with best efforts on the journey to conquer new challenges.





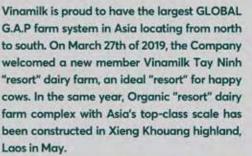
M&A

Vinamilk has official owned 75% of GTNFoods JSC, which also allows the Company to control Moc Chau Milk. This acquisition is a significant expansion for Vinamilk regarding raw milk material zone. The total herd managed by Vinamilk and Moc Chau Milk is 155,000 cows.











LAUNCHING AND RE-LAUNCHING NEARLY 20 PRODUCTS





VINAMILK HAS ENHANCED ENVIRONMENTAL ACTIVITIES BY:

- + Introducing environmental-friendly canvas bags as to reduce plastic wastes.
- + Making packaging more eco-friendly: removed plastic strap around bottle cap.

The Company will continue this green journey in the future with several social activities.

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GO GLOBAL GO GREEN Annual Report 2019

LIST OF ABBREVIATIONS

AC : Audit Committee

AGM : Annual General Meeting

BOD : Board of Directors

BOM : Board of Management
CEO : Chief Executive Officer

Company : Vietnam Dairy Products Joint Stock Company

NC : Nomination Committee

RC : Remuneration Committee

SC : Strategy Committee

Vinamilk : Vietnam Dairy Products Joint Stock Company

CAGR : Compound annual growth rate

CG : Corporate Governance

Co., : Company

ERP : Enterprise resource planning - a business process management software

GLOBALG.A.P : An independent certification system for Good Agricultural Practice (G.A.P.)

GSO : General Statistics Office of Vietnam

HCM : Ho Chi Minh

HOSE : Ho Chi Minh Stock Exchange

IA : Internal Audit

IFC : International Finance Corporation

IFRS : International Financial Reporting Standards

IR : Investor Relations

JSC : Joint Stock Company

Ltd : Limited

M&A : Merger & Acquisition

ODA : Official Development Aid

R&D : Research & development

. Research a developmen

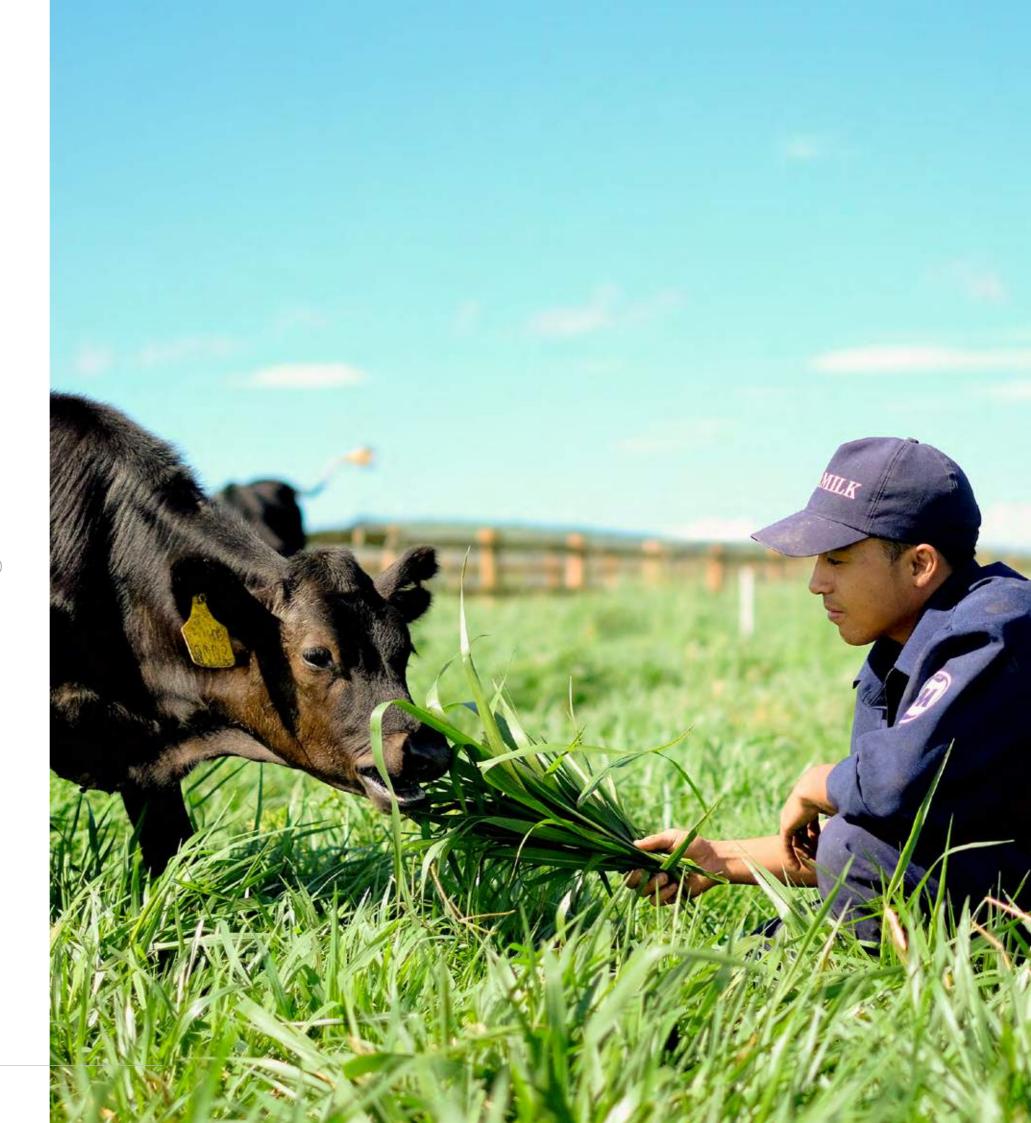
ROA : Return on Assets
ROE : Return on Equity

SCIC : State Capital Investment Corporation

SDGs : Sustainable Development Goals

SSC : State Securities Commission Of Vietnam

VAS : Vietnam Accounting Standards







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MESSAGE FROM CHAIRWOMAN

2019 was truly a year of change to grow. In the volatile context of global economy, society and politics, Vinamilk's Board of Management and employees have made tremendous efforts and achieved excellent results in not only sales and profits but also market share and consumer trust, accomplishing all three major goals set out at the beginning of the year.





"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 valuable nutrition to community with our respect, love and responsibility.'

Dear Valued Shareholders,

2019 was truly a year of change to grow. As the global socio-economic situation is increasingly volatile, the domestic business environment must readily respond to unpredictable challenges. Vietnam's economy, taking advantage of the constantly changing world economy, has made great accomplishments. In line with the success, Vinamilk's Board of Management ("BOM") and employees, under the direction of the Board of Directors ("BOD"), have made enormous efforts and achieved spectacular results not only in terms of sales and profits but also in market share and consumer trust, accomplishing all three major goals set out at the beginning of the year.

In order to follow the second half of the five-year plan 2017-2021, Vinamilk has researched, developed and completed a rich and diverse product portfolio to meet different needs of domestic and foreign markets. Besides, with the recent mergers and acquisitions ("M&A") successfully concluded, we can affirm that Vinamilk is now ready to put the rest of strategic planning into action. Following successes from the end of 2018, Vinamilk is proud to be the only company to implement a total of 21 school milk programs in 2019 - aiding Vietnamese children's physical and intellectual development, as well as boosting Vinamilk's prestige and branding. In terms of sustainable development, Vinamilk has always been a prime example of a socially responsible enterprise, respecting and reconciling the interests of different stakeholders, protecting the environment and contributing to the State through tax obligation. In 2019, as regards to business administration, working environment, and brand value, Vinamilk has won many awards and titles. This demonstrates greater public recognition of Vinamilk's efforts and perseverance in taking the lead, pursuing the journey and attaining the best possible achievements.

In 2020, the year of Technology - Key to Innovation, marking the necessary acceleration in enacting the five-year plan, various changes in the socio-economic situations at home and abroad would pose many challenges to any business. However, given a clear overall strategy, supported by detailed planning and efficient organization, carried out by talented, highly motivated and experienced leaders and staff, the BOD strongly believes that Vinamilk will continue steady growth, achieving goals and fulfilling its mission.

In celebration of the New Year 2020, on behalf of the BOD of Vinamilk, I would like to express my sincere thanks to the BOM and all employees for their efforts and dedication in the past year, and to all customers, partners, shareholders for their trust, support and cooperation. I wish a new year of good health, happiness and prosperity to all valued customers, shareholders, partners and the entire staff of Vinamilk.

> Ho Chi Minh City, 28 February 2020 Chairwoman of the Board of Directors

> > Le Thi Bang Tam

Vinamilk com vr

MESSAGE FROM THE CEO

The year 2019 marked a significant recovery in Vinamilk's business results. Against all odds, including fierce competition and escalating cost of imported raw materials, we played on our strengths of diverse portfolio product effective distribution system to maintain the leading market share in Vietnam's dairy industry.



VINAMILK'S CORE VALUES

INTEGRITY



Integrity and transparency in actions and transactions.

RESPECT



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

FAIRNESS



withemployees. customers, suppliers and other parties.

ETHICS



established ethical standards and act accordingly

COMPLIANCE



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

Dear Valued Shareholders,

The year 2019 marked a significant recovery in Vinamilk's business results. Against all odds, including fierce competition and escalating cost of imported raw materials, we played on our strengths of diverse product portfolio and effective distribution system to maintain the leading market share in Vietnam's dairy industry. Specifically, the total consolidated revenue reached VND 56,392 billion and the consolidated profit after tax reached VND 10,543 billion, increasing by 7.2% and 3.2% consecutively compared to last year and exceeding the annual guidance.

The encouraging results could also be attributed to careful research and rapid responses to new opportunities in the context of hallengesin domestic milk consumption, such as Vinamilk's success in the National School Milk Program. By the end of 2019, we are proud to be the milk supplier to 21 provinces and cities that have participated in this program. The success in 2019 is a great motivation for us to continue our collaboration with the Government to provide better nutrition and promote better physical development of Vietnamese children. Another highlight was the significant role of exports and foreign branches in 2019's overall growth. Specifically, the growth rate is more than 25% for Angkormilk factory in Cambodia and nearly 15% for direct export. This demonstrates that Vinamilk has followed the right business direction in the context of globalization and is the proof for the international standard quality of our products.

Refining and innovating the product portfolio has always been Vinamilk's principal goal over the years. Exclusively in 2019, Vinamilk launched and re-launched nearly 20 products in many different segments and categories. Among new additions, high-end products as part of the premiumization strategy including Organic powdered milk, Organic nutrition powder and Yoko powdered milk have been very well-received by consumers. In addition to dairy products, we have diversified our portfolio with plant-based products such as nut milk, juice and hybrid such as milk smoothies to make the most of our brand power and distribution system.

The operation of Vinamilk's dairy farms is also a highlight of 2019. Currently, we are building the first farm with the capacity of 8,000 cows as part of the Lao-Jagro farm complex in Laos with the total capacity of 24,000 cows (Phase 1). Furthermore, after the acquisition of 75% of GTNFoods JSC, for now Vinamilk can manage Moc Chau Milk JSC's activities and their livestock of 25,000 cows in the fertile Moc Chau plateau. Considering all these preparations, we are confident that Vinamilk will be able to meet the increasing demands of nutritional milk products by Vietnamese consumers for years to come.

Entering the fourth year of the strategic 2017-2021 scheme, also the transition into a new decade, Vinamilk's BOM and all staff members strive to continue the winning streak, following the 2020 motto of "Technology - Key to innovation". Although Vinamilk has effectively applied many technologies in production and management, such as ERP, computer-assisted livestock health monitoring, ISOand Global GAP-certified waste treatment, we always stay alert to technological advances. We believe that with the development of the economy and the increasing consumer demand for quality nutritional products, the next decade of Vinamilk will continue to be one of sustainable growth, through which the Company comes closer to the list of 30 largest dairy companies in the world.

We wish you all good health and prosperity,

Ho Chi Minh City, 28 February 2020 **Chief Executive Officer**

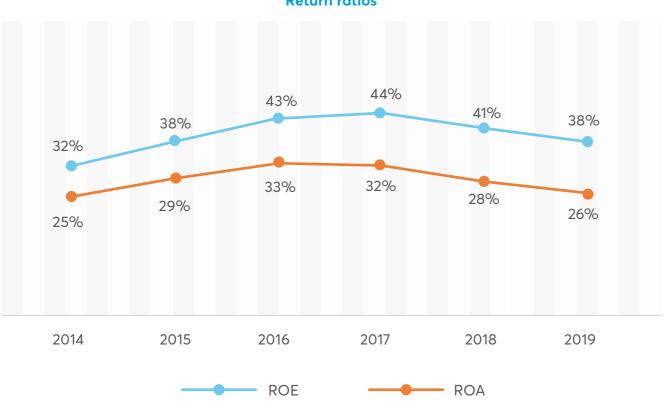
Mai Kieu Lien

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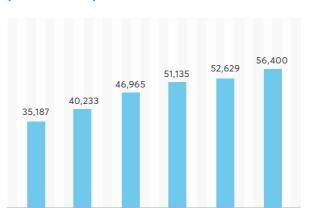
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CONSOLIDATED FINANCIAL STATEMENTS						
(VND billion)	2014	2015	2016	2017	2018	2019
Total revenue	35,187	40,223	46,965	51,135	52,629	56,400
Profit before tax	7,613	9,367	11,238	12,229	12,052	12,796
Profit after tax	6,068	7,770	9,364	10,278	10,206	10,554
EBITDA	8,686	10,495	12,475	13,558	13,730	14,853
Profit attributable to equity holders of the Company	6,069	7,773	9,350	10,296	10,227	10,581
Earnings per share (VND)	4,556	4,864	5,831	5,296	5,295	5,478
Total assets	25,770	27,478	29,379	34,667	37,366	44,700
Total equity	19,800	20,924	22,406	23,873	26,271	29,731
Total share capital	10,006	12,007	14,515	14,515	17,417	17,417
Total liabilities	5,970	6,554	6,973	10,794	11,095	14,969
Equity/ Total assets	77%	76%	76%	69%	70%	67%
Total liabilities/ Total assetes	23%	24%	24%	31%	30%	33%
ROE	32%	38%	43%	44%	41%	38%
ROA	25%	29%	33%	32%	28%	26%

Return ratios







2017

2018

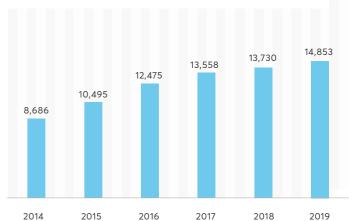
2019

2014

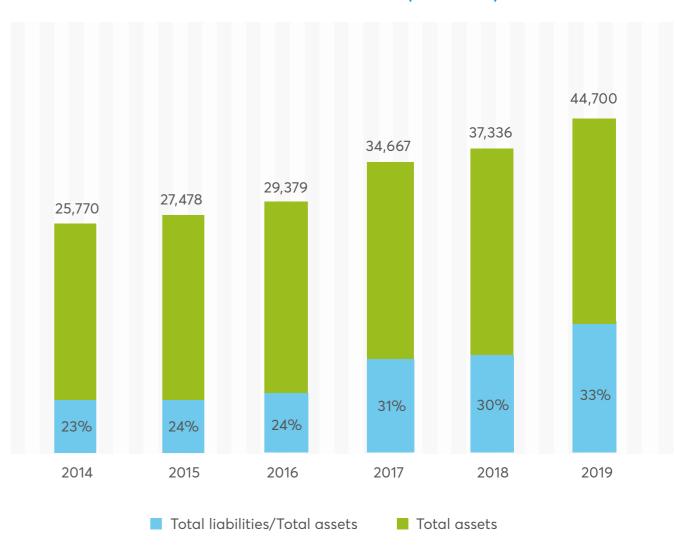
2015

2016





Total assets and total liabilities (VND billion)







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VINAMILK IN A REVIEW



Thong Nhat dairy factory, Truong Tho dairy factory, and Dielac powdered milk factory were inaugurated and put into operation.

Hanoi sales office was opened.

1996

 Da Nang sales office was opened.

Binh Dinh dairy joint venture was inaugurated (currently known as Binh Dinh dairy factory).

1998

Can Tho sales office was opened.

Can Tho dairy factory was inaugurated and put into operation.

Equitised and officially became a joint stock company under the name of Vietnam Dairy **Products JSC.**

2004

Acquired Saigon Milk JSC (currently known as Saigon dairy factory).

2005

Nghe An dairy factory was inaugurated and put into operation.

2016

Contributed 18% share capital of APIS JSC.

 Vinamilk contributed 51% share capital to establish a joint venture, **Angkor Dairy Products** Co., Ltd., in Cambodia and owned 100% of stake in 2017.

> Vinamilk contributed 100% share capital to establish a subsidiary, Vinamilk Europe Spostka Z Ograniczona Odpowiedzialnoscia, in Poland.

 Vietnam powdered milk factory and Vietnam dairy (Mega) factory were inaugurated and put into operation.

 Thong Nhat Thanh Hoa Dairy Cow Ltd., became a Vinamilk's subsidiary with 96.11% of share capital owned by the Company. In 2017, it became a wholly-owned subsidiary of Vinamilk.

Vinamilk acquried 70% share capital of Driftwood **Dairy Holdings Corpora**tion in California, USA and officially owned 100% of stake in May 2016.

Da Nang dairy factory was inaugurated and put into operation.

 Vinamilk contributed USD 10 million, as equivalent to 19.3% of Miraka Ltd.,'s share capital. In 2015, Vinamilk raised its share capital in the subsidiary to 22.81%.

Vietnam beverage factory was inaugurated and put into operation.

Tien Son dairy factory was inaugurated and put into operation.

Lam Son dairy factory was inaugurated and put into operation.

2006

Vinamilk was officially listed on HOSE on 19/01/2006.

An Khang Clinic was opened in Ho Chi Minh city. This was the first clinic managed information online in Vietnam.

• In November, Vietnam **Dairy Cow One-Member** Ltd., was established.





• Cu Chi Raw Milk Center was went under operation.

♦ Invested in sugar industry by acquiring 65% share capital of Vietnam Sugar JSC.

 Acquired 25% share capital of Asia Coconut Processing JSC.

• Was the first company producing A2 milk products

♦ Invested a 51% share of Lao-Jagro Development Xiengkhuoang Co., Ltd.

• Started construction Phase 1 of Laos' 5,000-hectare Organic dairy farm with 24,000 head cows.

 Doubled the capital at Driftwood Dairy Holding Corporation, from USD 10 million to USD 20 million.

• Completed the acquisition of 75% share capital of GT-NFoods JSC, thus controlling Moc Chau Milk JSC whose total head cows are 25,000 ones.



SHARES AND SHAREHOLDER INFORMATION

Vietnam Dairy Products Joint Stock Company

Was listed on the official Ho Chi Minh's stock exchange ("HOSE"), Vietnam on 19/01/2006.





Stock ticker symbol on HOSE **VNM**



Financial year ended 31/12



Independent auditor **KPMG Limited** Vietnam



Dividend policy

Not less than 50% of consolidated profit after tax



Adjusted Close Share price (from 02/01/2019 to 31/12/2019):

Low : 115,100 VND/share High: 146,100 VND/share



Investor relations contact:

Email: dqtrung@vinamilk.com.vn

Investor Relations – Finance Department Vietnam Dairy Products Joint Stock Company 10 Tan Trao, Tan Phu ward, District 7, Ho Chi Minh city Tel: (+84 - 28) 541 55555, Ext: 108247

Website:

- https://www.vinamilk.com.vn/en
- https://www.vuoncaovietnam.com/
- https://www.youtube.com/user/vinamilk

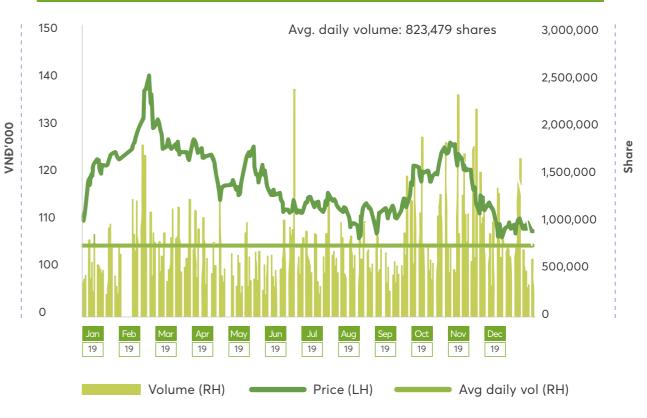
Investor relations' Website:

· https://www.vinamilk.com.vn/en/shareholders-meeting

Vinamilk's ("VNM") share price performance vs VN-Index (Adjusted close price from 02/01/2019 to 31/12/2019)



VNM's price and trading volume (not include trading volume for transaction agreements)



Shares and shareholder structure

As at 31/12/2019, number of shares of the Company as follows:

- Authorized share capital

- Contributed share capital

- Total issued and listed shares

- Class of shares

- Treasury shares

- Common shares, par value

- Outstanding shares

- Market capitalization

17,416,877,930,000 VND

17,416,877,930,000 VND

1,741,687,793 shares

one vote per share

310,099 shares

10,000 VND / per share

1,741,377,694 shares

VND 202,907 billion

List of the Company's shareholders structure

Based on the latest shareholder list as of December 27 2019

	Number of shares	Ownership (%)
Major shareholders (>= 5%)	1,160,467,659	66.63%
- Local	627,063,835	36.00%
- Foreign	533,403,824	30.63%
Treasury shares	310,099	0.02%
Other shareholders (<5%)	580,910,035	33.35%
- Local	93,478,464	5.37%
- Foreign	487,431,571	27.99%
TOTAL	1,741,687,793	100.00%
In which:		
- Local	720,852,398	41.39%
- Foreign	1,020,835,395	58.61%



Top 20 largest shareholders

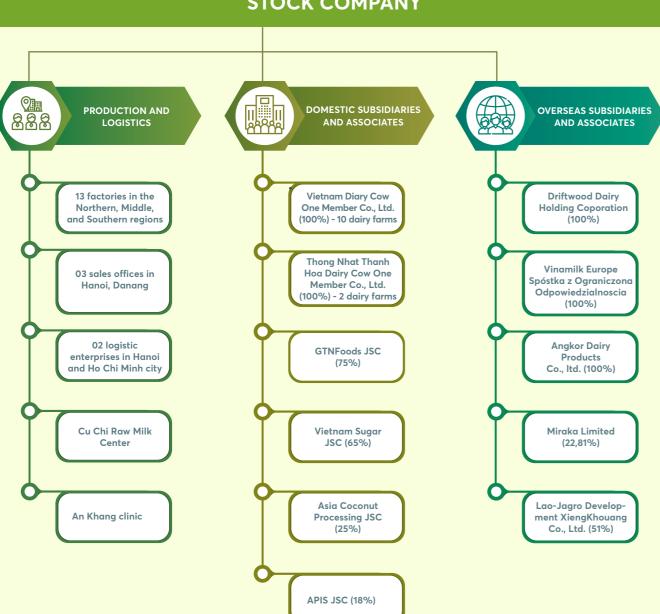
(based on the latest shareholder list as of December 27 2019)

No.	Name of shareholders	Number of shares	Ownership (%)
1	SCIC	627,063,835	36.00%
2	F&N Dairy Investments Pte. Ltd.	301,496,383	17.31%
4	Platinum Victory Pte. Ltd.	184,880,461	10.62%
3	F&NBEV Manufacturing Pte. Ltd.	47,026,980	2.70%
5	Arisaig Asia Consumer Fund Limited	28,800,652	1.65%
6	Matthews Pacific Tiger Fund	25,995,440	1.49%
7	Employees Provident Fund Board	22,138,220	1.27%
8	The Emerging Markets Fund of The Genesis Group Trust For Employee Benefit Plans	21,211,119	1.22%
9	Merrill Lynch International	13,733,302	0.79%
10	Stichting Depositary APG Emerging Markets Equity Pool	13,497,977	0.77%
11	Government of Singapore	13,347,308	0.77%
12	The Genesis Emerging Markets Investment Company	12,542,264	0.72%
13	Vietnam Ventures Ltd	10,395,869	0.60%
14	Matthews Asia Dividend Fund	9,613,225	0.55%
15	First State Global Umbrella Fund Plc - First State Asian Equity Plus Fund	8,922,840	0.51%
16	Citigroup Global Markets Ltd	8,682,454	0.50%
17	Kim Vietnam Growth Equity Fund	7,925,740	0.46%
18	Fidelity Investment Trust - Fidelity Series Emerging Markets Fund	7,770,400	0.45%
19	Vietnam Enterprise Investments Limited	7,164,338	0.41%
20	Norges Bank	6,788,684	0.39%
	TOTAL	1,378,997,491	79.18%

CORPORATE **STRUCTURE**

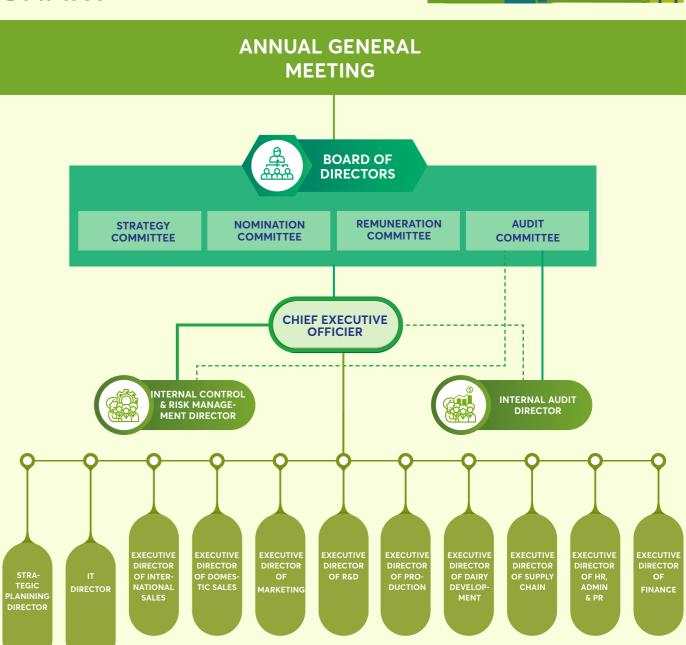






ORGANIZATIONALCHART







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PROFILE OF **BOARD OF DIRECTORS**



Mrs. Le Thi Bang Tam

Chariwoman Independent BOD member

Born in 1947. She has been an independent BOD member from April 2013 and then the Chairwoman from July 2015 until now.

Professional qualifications

- PhD in Economics, Leningrad Institute of Finance and Economics, the Soviet Union (1989).
- Certificate of International Finance, North University London, UK (2011).
- Bachelor in Finance and Accounting, Hanoi University of Finance and Accounting.
- Certificate of Corporate Governance.

Experience

- She has years of working experience in the field of corporate management, financial and State management, as well as other fields.
- From 2006 until present, she has held the position of BOD member in different companies, such as the Chairwoman of State Capital Investment Corporation (SCIC), BOD member and then the Chairwoman of HD Bank.
- She is a member, an adviser of important institutions: State Securities Commission (SSC), the National Monetary Policy Council. She is also a member of the Committee of International Economic Corporation, Steering Committeees for ODA, Foreign Investment and key projects of the Government.
- From 1995 to 2006, she was Deputy Minister, Member of Civil Affair committee - Ministry of Finance.
- For more than 20 years (1974 1995), she had held different management positions: Deputy Head of Financial Department; Deputy General Director of Personnel and Training Department; Deputy General Director, then General Director, then CEO of the State Treasury.
- She was a lecturer of Hanoi University of Finance and Accounting from 1969 to 1974.

Her position at other entity include

- Chairwoman, HD Bank.



Mrs Mai Kieu Lien

Executive BOD member Chief Executive Officer

Born in 1953. Mrs. Lien has been Chairwoman from 11/2003 to 2015 and an Executive BOD member since 2015 until now. She is the CEO since December 1992.

Professional qualifications

- Certificate of Economics Management, Leningrad Institute of Engineering and Economics, Russia.
- Certificate of Government Management, National Academy of Politics, Vietnam.
- Engineer in Milk and Dairy Products Processing, University of Industrial Poultry and Dairy Processing, Moscow,
- Certificate of Corporate Governance.

Experience

- She has over 25 years of working experience in the role of CEO (since 1992 until present) leading Vinamilk through many tenures. She has been honourably awarded many local and international prizes, such as First-class Labour Medal (2006); 4 consecutive times awared by Forbes as Asia's Top 50 Most Powerful Businesswomen (2012 - 2015); The Excellent Businesswomen (2014) by Corporate Governance Asia; Nikkei and New Zealand prizes for all her brilliant contributions; honoured "Lifetime Achievement award" (2018) and "Top 50 Most Powerful Women of Vietnam" (2019) announced by Forbes.
- 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 and then became Deputy Technical Director at Thong Nhat dairy factory in 1982.

Her positions at other entities include

- Chairwoman, Lao-Jagro Development XiengKhouang Co., Ltd.
- BOD member, Miraka Ltd.
- 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 Spóstka Z Organiczona Odpowiedzialnoscia.



Mr. Alain Xavier Cany

Non-Executive BOD member

Born in 1949. He has been a non-Executive BOD member since March 2018.

Professional qualifications

- Baccalauréat - Academie de Paris

Experience

- He has held many executive positions through years at various financial corporations. Since 2007, he has been Chief Representative - Group Country Chairman of Jardine Matheson Ltd. (Vietnam).
- From 2000 to 2003, he was Head of European Business Development – Asia Pacific at HSBC Asia Pacific Head Office and then became President and CEO of HSBC Vietnam from 2003 to 2007.
- From 1969 to 2000, he held various executive positions at Credit Commercial de France and Banque Worms.
- In addition, he also held some important postions as: Advisor for Foreign Trade to the French Government and Chairman of Eurocham, Vietnam Business Forum and Director of Asia Commercial Bank.
- He was awarded Officer of The French National Merit Order and Knight of The Legion of Honor and the Friendship Medal from President of The Socialist Republic of Vietnam.

His positions at other entities include

- Chief Representative Group Country Chairman of Jardine Matheson Ltd. (Vietnam), parent of Jardine Cycle & Carriage Ltd.
- Chairman of the Board of Trustees Saigon Children's Charity CIO.
- Member of BOD of Siam City Cement (Vietnam) Limited
- Chairman of Board of Members' Council of Pan Asia Trading and Investment One Member Company Limited (1/2014).



Mr. Nguyen Ba Duong

Independent BOD member

Born in 1959. He is an Independent BOD member since April 2017.

Professional qualifications

- Architect, Kiev National University of Civil Engineering and Architecture, Ukraine.
- Linguistics, University of Languages and International Studies, Hanoi, Vietnam.

- He is a strong, determined and certainly foresighted leader who always honours his promises in business.
- With broad knowledge and practices learned from Kiev National University of Civil Engineering and Architecture in Ukriane (1984), he came back working in Vietnam and has over 35 years of experience in managing a construction corporate. He was the founder and managed Coteccons group from 2002. In July 2017, he resigned from being CEO in order to focus on managing Coteccons Group as Chairman.
- He received Prime Minister's award certificate from the Ministry of Construction for numerous contributions in motivating and developing Vietnam's construction industry, as well as Vietnam's outlook. He was honoured in Top 50 Best Leaders in Vietnam and also honoured in the Top 10 Best Employees Development Leaders in Vietnam.

His position at other entities include

- Chairman, Coteccons Construction JSC



Mrs. Dang Thi Thu Ha

Non-Executive BOD member

Born in 1973. She has been a non-Executive BOD member since April 2017..

Professional qualifications

- Master of Bussiness Administrations (MBA), Institute of Business Administration.
- Bachelor of Business Administrations, National Economics University.
- Bachelor of English Linguistics, Vietnam National University, Hanoi
- Certificate of Corporate Finance Consulting, The Securities Research and Training Center.

Experience

- She has served as a BOD member in companies since 2013. She is currently a Chairwoman at Hau Giang Pharmaceutical JSC and a BOD member at Benovas Cancer
- She has been working at Investment Department of SCIC for 11 years at different positions. She is currently a Deputy Head of Investment Department 3.
- Previously, she had 8 years of working experience in the field of Financial Consulting and Compliance Accounting at Trang An Securities JSC (2007 - 2008) and Mizuho Bank Hanoi (2000 - 2007).
- She was rewarded a Merit Certificate from Minister of Finance in 2015 and a Merit Award in Finance industry for her achievements in 2016.

Her positions at other entities include

- Chairwoman, Hau Giang Pharmaceutical JSC.
- BOD member, Benovas Cancer Drugs JSC.
- Deputy Head of Investment Department 3.



Mr. Do Le Hung

Independent BOD member

Born in 1969. He has been an Independent BOD member since April 2017.

Professional qualifications

- Master of Public Finance and Degree of Public Management, National School of Administration, France.
- Certificate in Treasury Inspection, National Treasury School, France.
- Bachelor of Finance Accounting, University of Finance and Accountancy, Hanoi.
- Certificates in Public Financial Management, Accounting,
- Certificates in Advanced Auditing conferred by international organisations.
- Certificate in Advanced Director Certification Program (DCP) conferred by Vietnam Institute of Directors (VIOD).

Experience

- He is an currently an independent member of the BOD and Audit Committee of the following companies listed on
- · Vietnam Dairy Products JSC (Vinamilk)
- · Hau Giana Pharmaceutical JSC (DHG)
- An Gia Real Estate Investment and Development JSC -An Gia Group (AGG)
- · South Logistics JSC Sotrans Group (STG)
- He is also a BOD member of VIOD since April 2018.
- He had more than 8 years of working experience as Director of Auditing and Internal Control at Big C Vietnam.
- He had nearly 6 years of working experience as Deputy Head of Accounting – State Treasury of Vietnam – Ministry of Finance.
- Previously, he had more than 11 years of working at Accounting – State Treasury of Vietnam at Specialist and Executive level.
- He received merit certificate from Prime Minister and many from the Ministry of Finance from 1997 to 2006.

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Mr. Le Thanh Liem

Executive BOD member Executive Director - Finance, cum. Chief Accountant

Born in 1973. He has been an Executive BOD member since April 2017.

Professional qualifications

- Master in Finance and International Business, Leeds Metropolitan University, UK (2012).
- Bachelor in Economics, University of Finance Accounting, Ho Chi Minh city, Vietnam (1994).

Experience

- He has been Executive Director Finance cum Chief Accountant since 2015.
- Previously, he had over 12 years working experience in these roles at Finance – Accounting Division: Deputy Head of Accounting, Chief Accountant.
- From 1994 to 2003, he held different positions at Finance
- Accounting Division of Vinamilk.

His position at other entity include

- BOD member, Vietnam Sugar JSC.



Mr. Lee Meng Tat

Non-Executive BOD member

Born in 1963. He is a non-Executive BOD member since September 2016.

Professional qualifications

- Master in Business Administration (MBA), Imperial College, London (1997).
- Bachelor of Engineering (Mechanical), National University of Singapore (1988).
- Advanced Management Programme (AMP), Harvard Business School (2005).
- International Directors Programme (IDP), INSEAD (2017).

Experience

- He has many years of experience in corporate and economics management at both private and public institu-
- Since 2015 to date, he has been a BOD member of Fraser & Neave Holdings Berhad.
- In 18 years (1997 2015), he held top management roles at consumer goods and tourism companies such as Fraser & Neave Ltd, 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 include

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



Mr. Michael Chve Hin Fah

Non-Executive BOD member

Born in 1959. He is a non-Executive BOD member since April 2017.

Professional qualifications

- MBS (with Distinction in Accounting and Finance) and BBS (with First Class Honours in Accounting and Finance)
- Massey University, New Zealand.
- Member of Singapore Institute of Directors (SID) since
- Member of Institute of Singapore Chartered Accountants (ISCA) since 2003.
- Member of Institute of Chartered Secretaries & Administrators (ACIS) since 1990.

Experience

- Mr. Michael Chye Hin Fah has over 15 years of experience as a board member. He is currently a member of the Board of Directors and Audit Committee of Saigon Beer- Alcohol-Beverage Corporation. He is also an Alternate Director at Fraser and Neave Limited and director of many companies in ThaiBev Group.
- For over 22 years, he held senior positions at several financial and investment companies and has extensive international experience in many Asian countries.
- Prior to these roles, he was a university lecturer in New Zealand.

His positions at other entities include

- Executive Vice President, Thai Beverage Public Company
- Member of the Board Executive Committee and Risk Management Committee, Fraser and Neave Ltd.
- Non-Executive Director: Marketing Magic Pte Ltd, DEC-CO 235, Heritas Capital Management Pte Ltd, IMC Pan Asia Alliance Corporation, Prudence Holdings Ltd.

PROFILE OF **BOARD OF MANAGEMENT**



Mr. Mai Hoai Anh

Executive Director – International Sales

Born in 1970. He joined Vinamilk in 1996 and has been appointed as Executive Director – International Sales since December 2018.

Professional qualifications

- Master of Business Adminstration, Bolton University, the United Kinadom (2012).
- Bachelor of Economics, University of Economics, Ho Chi Minh city, Vietnam.

Experience

- He has been Executive Director International Sales since December 2018.
- From 2012 to December 2018, he has been Executive Director - Sales. He has also held the position of Chief Operation of Officer over 2 years managing general operations such as Marketing, Sales, Supply Chain, Production, Research and Development (R&D).
- Over 9 years of working (2003 2012), he has held many different management positions at Import - Export Department, such as Head of Import - Export Department, Director of Import – Export Department, responsible for export and import materials.
- Previously from 1996 to 2003, he held following possitions: Import – Export Clerk, Deputy Head of Import – Export Department and being responsible for managing the Department.



Mr. Trinh Quoc Dung

Executive Director - Dairy Development

Born in 1962. He joined Vinamilk in 2005.

Professional qualifications

- Engineer of Energy and Automation, Odessa University, Former Soviet Union (1985).

Experience

- Since 2014, he has been Executive Director Dairy De-
- Over 10 years of working at Vinamilk (2005 2014), he has held the positions of Directors at many different Vinamilk's factories, such as Nghe An dairy factory, Vietnam
- Prior to joining Vinamilk, he was Director of Electricity Industrial Consulting and Investment center in 6 years (1998
- From 1987 to 1998, he worked at various positions at different private and state companies, for instance: Vinh's People Committee, Department of Environmental Science and Technology – Nghe Tinh province (currently known as Nghe An and Ha Tinh province).

His positions at other entities include

- Director, Vietnam Dairy Cow One Member Co., Ltd (1).
- CEO, Thong Nhat Thanh Hoa Dairy Cow One Member Co., Ltd (1).
- BOD member, Lao-Jagro Development Xiengkhouang Co., Ltd.

(1): (a wholly-owned subsidiary of Vinamilk).



Mrs. Nguyen Thi Thanh Hoa

Executive Director - Supply Chain Born in 1955. She joined Vinamilk in 1983.



Mrs. Bui Thi Huong

Executive Director - HR, Admin and Public Relation Born in 1962. She joined Vinamilk in 2005.

Professional qualifications

- Engineer of Milk Processing technology (1978), University of Poultry and Milk Processing, Moscow (currently known as Moscow State University of Applied Biotechnology).

- Working at Vinamilk over 20 years (1999 present), she has held many senior management roles, such as Deputy General Director, Executive Director – Production and R&D and currently Executive Director - Supply Chain.
- Previously, from 1983 to 1999, she held different positions, for instance Processing Engineer, Vice Director, then Director of Truona Tho dairy factory and Director of Hanoi dairy factory, concurrently, from 1995.
- Prior to joining Vinamilk, she was a lecturer at University of Technology, Ho Chi Minh city, Vietnam for almost 6 years (1978 - 1983).

Her position at other entity include

- BOD member, Vietnam Sugar JSC.

Professional qualifications

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

Experiene

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



Mr. Nguyen Quoc Khanh

Executive Director – Research and Development Born in 1964. He joined Vinamilk in 1988.



Mr. Phan Minh Tien

Executive Director - Marketing, cum. Managing Domestic Sales Department.

Born in 1970. He joined Vinamilk in 2014.

Professional qualifications

- Engineer of Chemical Techniques and Foods, University of Technology, Ho Chi Minh city, Vietnam (1987).
- Bachelor of Business Administration, University of Economics, Ho Chi Minh city, Vietnam (1997).
- Bachelor of English Linguistics and Literature, University of Social Science and Humanity, Ho Chi Minh city, Vietnam (2001).

Experience

- Since 2015, he has been Executive Director Research and Development.
- Over 10 years (2009 present), he has held many senior management positions at Vinamilk, such as Executive Director – Supply Chain, Executive Director – Production and Research and Development, and Executive Director - Research and Development.
- Previously, in 22 years of working (1988 2009), he experienced at different positions at Vinamilk's factories, for instance: Thong Nhat dairy factory, Can Tho dairy factory and become Director of Can Tho dairy factory in 2004.

His positions at other entities include

- BOD member, Asia Coconut Processing JSC.
- BOD member, Driftwood Dairy Holding Corporation.

Professional qualifications

- Bachelor, Moscow University of Management, Russia.

Experience

- Since December 2018, he has been appointed to concurrently manage Domestic Sales Department.
- He has been Executive Director Marketing at Vinamilk since May 2014.
- Prior to joining Vinamilk, he had 17 years of working experience in marketing and brand development at different executive positions in large multinational corporations
- Marketing Director Samsung Vietnam (2013 2014).
- Deputy General Director in charge of Food Sector -Unilever Vietnam (2008 - 2013).
- Previously, he held different managerial positions in Sales and Marketing at Unilever Vietnam (1996 - 2008).

His position at other entity include

- BOD member, Hau Giang Pharmaceutical JSC.



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 in Commercial Laws, Laws University, Hanoi, Vietnam (2001).
- Bachelor in Business Administration, University of Economics, Ho Chi Minh city, Vietnam (1994).
- Bachelor in Mechanical Engineering, University of Technology, Ho Chi Minh city, Vietnam (1981).

Experience

- He has been Executive Director Production at Vinamilk since December 2015.
- In 10 years from 2006 to 2015, he had held many important mangaement positions of Project Division: Deputy General Director in charge of Project, Executive Director
- 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.

PROFILE OF THE COMPANY SECRETARIAT



Mr. Tran Chi Son

Company Secretariat Senior Financial Manager

Born in 1975. He joined Vinamilk in 2005 and has been the Company Secretariat since April 2017.

Professional qualifications

- Bachelor of Accounting, major in Accounting and Auditing, University of Finance - Accounting, Ho Chi Minh city, Vietnam (1998).
- Held the Association of Chartered Certified Accountants (ACCA) qualification.
- Bachelor of English Linguistics, Foreign Languages University - Hanoi National University.
- International Certificate in Investment Relations (ICIR) conferred by IR Society - UK and IRPAS - Singapore.
- Certificate of Corporate Governance.

Experience

- Since June 2015 until present, he has held the position of Senior Financial Manager. In addition, he has been in charge of all investor relations function of Vinamilk for more than 10 years.
- Over 11 years working at Vinamilk (2005 2016), he experienced in many positions, such as Director of Internal Control, Director of Investment Department, Investment Relations Manager.
- Prior to joining Vinamilk, he worked as a Senior Financial Analyst at San Miguel Vietnam, Co., Ltd., Audit Senior -KPMG Vietnam Co., Ltd., Chief Accountant - URC Vietnam Co., Ltd. and Chief Accountant at Vietnam Star Automobile.

His position at another entity include

- BOD member, Lao-Jagro Development Xiengkhouang Co., Ltd.



Mrs. Le Quana Thanh Truc

Company Secretariat Director of Foreign Subsidiary Management

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

Professional qualifications

- Master of Development Economics, the corperation program between The International Institute of Social Sciences of Erasmus University, the Hague, the Netherlands and the University of Economics, Ho Chi Minh city, Vietnam (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, Ho Chi Minh city, Vietnam
- Certificate of Corporate governance.

Experience

- Since August 2015 until present, she has held the position of Director of Foreign Subsidiary Mangement.
- Previously, from 2005 to 2015, she experienced in different positions at Finance Division, such as Financial Analyst, Investor Relations (IR) Manager, Financial Investment Manager, Investment Director at Vinamilk.
- Prior to joining Vinamilk, she held other positions such as Project Director, then General Director at I.C Investment JSC; Deputy Manager of Advisory Department at Saigon Securities JSC (SSI).

Her positions at other entities include

- BOD member, Driftwood Dairy Holdings Corporation.
- BOD member, Vinamilk Europe Spóstka z Organiczona Odpowiedzialnoscia.
- Chairwoman, Angkor Dairy Productions Ltd., Co.
- BOD member, APIS JSC.
- BOD member, Vietsugar JSC.



Mr. Nguyen Trung

Company Secretariat Director of Supply Chain – Logistics

Born in 1973. He joined Vinamilk in 1994 and has been the Company Secretariat since 2012.

Professional qualifications

- Executive Masters of Business Administration, Université du Québec à Montréal (2014).
- Bachelor in Accounting, University of Finance -Accounting, Ho Chi Minh city, Vietnam (1994).
- Certificate of Sustainable Development, Swedish Institute (2016).
- Certificate of Corporate Governance.

Experience

- Since July 2017 until present, he has been Director of Supply Chain - Logistics.
- From July 2014 to July 2017, he was Director of Strategic Planning.
- He has more than 7 years of experience (2007 2014) as Director of Internal Control and Risk Management and also responsible for Legal Division. Under this position, he took the lead in establishing the Code of Conducts for the Company.
- He is a representative of Vinamilk at Asian Corporate Governance Association (ACGA). He participated in the Training course of Company Secretariat hosted by International Finance Corporation (IFC).
- Previously, he spent more than 14 years in Finance Division with different positions: Accountant - Fixed assets, materials, and construction; General Accountant in charge of preparing financial statements.

PROFILE OF INTERNAL AUDIT



Mrs. Ta Hanh Lien

Internal Audit Director

Born in 1980. She joined Vinamilk in 2007.

Professional qualifications

- Bachelor of Economics, major in Accounting - Audit, University of Economics, Ho Chi Minh city, Vietnam.

Experience

- She has years of working experience in audit, finance, and budget planning and control.
- She has held the position of Internal Audit Director since November 2011 after completing the role of Coordinator for the project "Establishing the Internal Audit Function" and received the transferred international audit methodology from KPMG Vietnam Co., Ltd.
- From 2007 to 2010, she worked at the Finance Division at different positions, such as Budget Planning and Control Manager, Financial Analysis supervisor.
- Prior to joining Vinamilk, she was Audit Associate and then Senior Audit at KPMG Vietnam Co., Ltd. from 2002 to 2005.

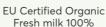




LIQUID MILK

FRESH MILK 100%







Pasteurized Fresh milk 100%



UHT Fresh milk 100%



UHT Fresh milk 100% imported from the EU



UHT A2 Fresh milk 100%

FORTIFIED MILK



ADM IQ Gold



UHT MILK



Flno

NUT MILK



Soya milk - Walnut / Almond / Red bean



Roasted rice milk







Soya milk



PREMIUM POWDERED MILK FOR CHILDREN







YOKO Gold



Optimum Gold

SPECIALTY AND MAINSTREAM POWDERED MILK FOR CHILDREN



Dielac Grow Plus



Dielac Alpha Gold IQ

POWDERED MILK FOR ADULTS



Sure Prevent



Diecerna



CanxiPro

JAPANESE

INGREDIENTS

DƯỚNG CHẤT TỐT TỪ

NHẬT BẢN

よこゴールド

100% DHA từ tảo

AREÂN DINH DUÖNG! GROWING UP MILK POWDER



HẤP THU KHOỂ BÉ TINH ANH



BABY CEREAL







Optimum Gold cereal



RiDielac Gold cereal





RiDielac Gold cereal





Lớn khôn cùng tự nhiên



EATING YOGHURT

PREMIUM



SPECIALTY



MAINSTREAM



FOR CHILDREN





DRINKING YOGHURT





FRESH DRINKING YOGHURT

DRINKING YOGURT FOR WOMEN





SUSU DRINKING YOGURT FOR KID







ENERGY DRINK AND BEVERAGES

ENERGY DRINK AND MILK TEA







Power

My Joy

Happy Milk Tea

FRUIT JUICES AND BEVERAGES









Vfresh fruit juice

Artichoke Vfresh

Vfresh Smoothies



Aloe Vera Vfresh Beatuy Plus



Vfresh Aloe Vera



ICY Salty Lemonade



ICY Purified water



Coconut juice CocoFresh



CONDENSED MILK AND ICE-CREAM















Ong Tho















Southern star

ICE-CREAM





Twin Cows

Vinamilk ice-cream







Kid ice-cream

Subo ice-cream

Delight ice-cream

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3.1 VIETNAM'S DAIRY **INDUSTRY IN 2019**

Vietnam's macro economy:

GDP increased by CPI remained below

7.02% 3%

GDP per capita reached about 2,800-3,000 USD (increased by 8% year-on-year, GSO)

trade war and US-Iran military tensions. This has somewhat affected the global economy as GDP only grew by 2.6% in 2019, the lowest since 2008. In this context, Vietnam has emerged as an investment attraction when the country's GDP increase by 7.02% in

The world ended the 2010s with many concerns from the US-China 2019, exceeding the goal set by the National Assembly

Milk consumption in Vietnam was still low, on an average of 20 Kg per capita in 2019 (Vinamilk estimates)

Nevertheless, the growth of Vietnam's dairy industry has yet fully reflected its potential and indicates there were still some headwinds for this industry last year. First, the African swine fever has caused much damage to Vietnam's agricultural sector during the period of 2018-2019 and directly affected the income of farming households. In the context of more than 60% of Vietnam's population still living in rural areas, this event has a significant impact on the consumption of fast-moving consumer goods (FMCG) in general and dairy products in particular.

Besides, despite the golden population structure, the birth rate in Vietnam is on the decline. During the 10-year period from 2009 to 2018, the birth rate dropped from 17.6 to 14.6 infants per 1,000 persons (GSO). This trend, along with the trend of breastfeeding, are barriers to infant powdered milk.

....

VINAMILK



Retail sector in general and dairy industry in particular have well performed.

In 2019, retail sales achieved a double-digit growth rate of 12.7%, of which food and beverage had a good growth of 13.2% (GSO), Dairy products also recorded decent growth in 2019, led by yogurt and liquid milk (Euromonitor).

> On the positive side, the trend of using natural-origin dairy products that support digestion and improve body physique is increasingly popular thanks to the increased household income and enhanced awareness of food safety. These were the driving forces for the yogurt and liquid milk's strong performance in 2019. Premium organic milk products are also very attractive to consumers as consumer demand is shifting from eating for pleasure to eating for health.



Products using natural materials and supporting digestion are getting a lot more popular.



Raising demand for convenient products

Convenient products have also become more popular, especially instant powdered milk that has achieved impressive growth despite the slow growth of the whole formula category (Euromonitor). These positive trends are both opportunities and challenges for dairy businesses, as they need to enhance research and development activities in order to promptly launch new products that meet increasingly diverse consumer demand.

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3.2 THE BOARD OF DIRECTORS' REPORT

1. ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE IN 2019

Assessment of the BOD and Committees' performance

In 2019, the BOD of Vinamilk continued carrying out activities according to the Internal Governance Regulations. Accordingly, the BOD has acknowledged the contributions and promoted the efficiency of the Committees in general and of each BOD member in particular. The following main activities have been carried out:

Activities of Committees:

THE STRATEGY COMMITTEE



Oversaw the implementation of 5-year strategic goals, assessed the selection and execution of strategic projects, and reviewed Vinamilk' strengths and competitive advantages in the new period. The highlight of the year was the agenda of mergers and acquisitions to enhance Vinamilk's strength in the direction of vertical integration. In terms of stakeholders and sustainable development, the Strategy Committee focused on environmental protection, social contribution and dividend policy.

THE REMUNERA-**TION COMMITTEE**



Continued reviewing the remuneration package, including salaries and benefits of the CEO, executive directors and other senior management officers to increase competitiveness in recruiting, attracting and retaining talents. The development of goals and mechanisms for evaluating short and long-term bonus packages were also in place. The BOD's remuneration was also reviewed and decided appropriately.

THE NOMINATION COMMITTEE



Together with the BOM, screened and selected key personnel for subsidiaries after merge. The Committee continued to seek and select members of the BOD in accordance with the Company's strategy, in addition to consulting and reviewing the results of the succession planning program. The Committee also collaborated with the Remuneration Committee in reviewing the remuneration plans for the CEO and Executive Directors. It also chaired the assessment of the Committees and the BOD and reviewed the BOM's operation reports.

AUDIT COMMITTEE



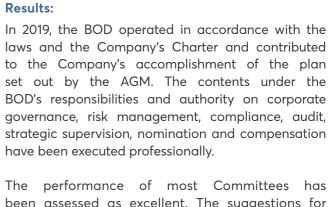
With quarterly planning and work assignment, reviewed the Company's financial reports and situations, improved the control and fraud prevention system and Internal Audit's operation. As for risk management, the risk portfolio, especially strategic risks, and the evaluation mechanism have been reviewed and improved. The Committee also carried out the assessment and selection of the Company's independent auditor for the financial year 2020. During the year, the Committee has improved its operational practices and also chaired the review and proposed improvements to the Company's governance practices according to the Vietnam corporate governance code of best practices issued in 2019.

Performance assessment:

BOD's performance assessment meeting was held at the final BOD meeting of the year on 17 January 2020 with the participation of all BOD members and the support of the Secretariat in charge of corporate governance.

Assessment criteria: 8 acts and operational efficiency according Governance to the Internal Regulations. Assessment form: Using a 5-level rating questionnaire. The assessment criteria have been added four more aspects according to IFC's practices as follows: (1) Self-leadership and operational competence results; (2) A combination of knowledge, experience, diversification of members of the BOD; (3) Dynamism; and (4) Operating process.





been assessed as excellent. The suggestions for performance improvement have been recorded for execution in 2020. In terms of individual assessment, all of the BOD members have performed well, proactively and positively fulfilled their duties.





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2. SUPERVISION AND ASSESSMENT OF THE CEO AND THE BOM

Based on the Company's Charter and the Governance Regulations, the BOD inspected and supervised the CEO and BOM's operation in managing business activities and implementing the resolutions of the AGM and the BOD in 2019 as follows:

Supervisory approach

The BOD periodically and regularly supervised the CEO and Executive Directors through reports at the BOD's regular and additional meetings, emails and telephone calls on the implementation of the strategy, objectives, contents and business plans approved by the AGM and the execution of the BOD's resolutions.

The BOD discussed and approved decisions by resolution after each meeting on changes, forecasts and plans of the following quarter and other related issues.



The BOD's assessment on the CEO and the Executive Directors' performance

In accordance with the Governance Regulations, the BOD conducted the assessment of the CEO and the Executive Directors based on the following criteria:

- Accomplishment of business targets
- ▶ Common responsibilities of senior management
- ▶ Competence and skills of senior management

Accomplishment of business targets

This criterion is assessed based on the accomplishment of (i) the common targets of the Company and (ii) the quality targets of each division and department managed by each Executive Director following Balanced Scorecard (BSC) with the four targets of finance, customer, process and learning. The proportion of each target would vary between positions depending on the role of each position in the value chain.

The assessment is also based on the annual performance summary and assessment report of each member of the BOM.

Common responsibilities of senior management

The assessment of common responsibilities consists of two stages: self-assessment and line manager's assessment. Criteria for common responsibilities include:



Responsibility of "Prudence"



Responsibility of "Honesty and avoidance of conflict of

interests"



Responsibility of "Information Confidentiality"



Duty of "Care and Loyalty"

Competence and skills of senior management

The assessment is carried out by a set of 12 leadership competencies developed specifically for Vinamilk. Criteria for assessment of each aspect were selected from the latest assessment results. In 2019, the BOD focused on assessing the leadership style and working environment.

Results:

According to the BOD's assessment, the CEO and the BOM have made great efforts and successfully completed the tasks assigned in 2019, including complying with the current laws and the Company's Charter and Regulations, improving and strengthening the organization, control and management systems.



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3. AUDIT COMMITTEE REPORT

Annual Report 2019

The Audit Committee under the BOD of Vietnam Dairy Products Joint Stock Company consists of four members as follows:



Mr. Do Le Hung Head of the Committee



Mr. Michael Chye Hin Fah Member



Mrs. Dana Thi Thu Ha Member



Mr. Le Thanh Liem Member

In 2019, the BOD of Vinamilk continued to carry out activities according to the Internal Governance Regulations. Accordingly, the BOD has acknowledged the contributions and promoted the efficiency of the Committees in general and of each BOD member in particular. The following main activities have been carried out:

1. Financial statements:

The Audit Committee has reviewed the quarterly and annual financial statements 2019 and concurrently agreed with KPMG's assessments:

- ▶ The financial statements 2019 were prepared and presented with true and fair view in accordance with VAS and current regulations, no material misstatements that could distort financial results were found.
- No material or significant issues observed or noted for accounting policies, operation performance and fluctuation of financial figures.
- ▶ No changes in accounts receivable and payable payment terms.
- No material issues observed or noted for stock count with the attendance of KPMG.
- No unusual IPT & RPT.
- No actual or suspected fraud cases noted in preparing financial statements.
- Nothing has arisen that caused the AC to believe the accounts related to accounting estimates are materially misstated.

2. Risk management and internal control system:

The Audit Committee supervised the internal control and risk management system through reports and direct correspondences and interviews with Internal Audit, Independent Auditor, Internal Control and Risk Management department.

In general assessment, Vinamilk is maintaining a reliable and effective framework of risk management and internal control.

Moreover, some new improvements in risk management and internal control system are reported:

- The Online bidding system has been set up to trial and pilot at Vietnam Dairy Cow Company before deploying for the whole Group.
- ▶ Set-up and review the decentralization system for critical IT systems (ERP, management Documents, Shared Folders, etc) to standardize the authority control of the Online system.
- During the period, self-control assessments (CSA) have been completed for 6 important risks with 85 major controls. In particular, product quality risks are implemented in all 13 factories. The self-assessment results show that all 85 control points meet 100% re-
- Regarding legal activities: Regularly follows and gives legal advices on investment projects and reviews internal legal compliance issues in order to minimize legal risks.

- Quality management system: Currently, the Company is applying 10 standards for Vinamilk and 3 standards for Cow Farms integrating many standards of international standard management system in a variety of activities such as quality and food safety management, environment, energy and occupational health, corporate social responsibility, good agricultural practices, organic standards, etc. The system of these standards is regularly monitored, applied, evaluated and certified by reputable and independent assessment organizations widely recognized in the world and in Vietnam. During the period, all units under the evaluation scope are assessed and maintained for certification.
- ▶ The AC has reviewed Risk Dashboard updated all 4 guarters 2019. With an exception of increase in communication risk (relating to School Milk Program and Social Networks) that is under control, there has been no significant changes in other risks.
- In the early 2020, the BOM submitted a risk report relating to COVID 19 disease. The AC has evaluated that the BOM has adequate and in-time initial actions to control this risk that has not only affecting consumption market, but also relating to protect Vinamilk employees' safety.
- A number of risk management activities was maintained, changed and will be implemented such as adjusting risk portfolio, restructuring Risk Management Board, selecting top risks, etc.
- ▶ The AC recommends a few issues as follows:
 - ✓ Risk management should be integrated into the preparation and implementation of projects as well as the preparation and implementation of annual business plans.
 - ✓ Need to build risk appetite/ Risk tolerance/ Risk threshold at various levels of the BOM
 - ✓ Investing in risk management tools should be considered at the same time as hiring consultants to evaluate risk management systems.

3. Internal audit function:

- In overall, the internal audit function has been performing effectively, contributing significantly to improving the internal control and risk management system.
- The organizational and operational feature of internal audit has continuously been a highlight for efficiency in internal audit function of Vinamilk:
- Internal Audit is operating under and subject to the Audit Committee's independent oversight through the approval and the supervision of the audit plan's execution, the review of Internal Audit Charter and internal audit methodology.
- ✓ The Internal Audit function has operated effectively, approaching best practices and international standards in internal audit while complying with internal audit methodology guidance by Ministry of Finance.
- ✓ The coordination between CEO and Audit Committee in internal audit management helps the Internal Audit to play its roles properly, not only in compliance requirements, but also in supporting other departments in risk management and internal control, before, during and after each operation.
- ✓ Prioritizing to shift from compliance audit to support and consulting for audited units in risk management and internal control has brought positive results and continues to be maintained.
- ▶ The compliance with procedures in audited units, as shown by internal audit results, has been well maintained and improved from the previous year.
- The recommendations of the Internal Audit were seriously taken by relevant units and timely implemented through defined action plans and followed up by the Internal Audit.
- The AC recommends that the IC needs develop IA quality assurance program (QAIP).

4. Independent audit services

KPMG has successfully completed its mission and duties according to the audit contract signed with Vinamilk, specifically:

- ▶ Ensuring the reliability, honesty and quality of the financial statements that the Company provides to shareholders and stakeholders.
- Respecting the expected audit timelines.
- Well-cooperating with relevant divisions of Vinamilk.
- Well responding and providing the information upon on AC's request.
- In compliance with ethics and ensuring the independence and objectivity when giving out audit opinions.

Head of Audit Committee

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3.3 THE BOARD OF MANAGEMENT'S REPORT



International business expansion

2019 recorded many positives from international business with series of events, marking a year of outstanding performance and setting the foundation for new highlights and achievements in coming years.



The achievements in 2019 were on the back of strategic execution, in particular:

- Focused on developing international markets and customers via a sequence of trade promotion activities, with spotlight events are the Gulfoods (Dubai) and Thaifex (Thailand) expo.
- ▶ In 2019, the Company approached and marketed products to various potential partners, developed two new markets which are Ethiopia and Mozambique.
- ▶ Enhanced sustainable partner and customer relationships: provided products with quality suitable for customers' preferences at reasonable prices; deployed efficiently supporting sales promotions under numerous forms; cooperated along with partners to expand networks and distribution system as to develop brand name and allow Vinamilk's products to win consumer trust in international markets.. Targeting at customers' satisfaction and winwin relationships with all parties are the guidance for international business activity.
- Focused on building and promoting brand name in key markets, preparing for long-term goals.





The opening ceremony of Vinamilk in China, took place during the China International Food & Catering Expo in September 2019 in Hunan, China, has drawn attention from Govenrment authorities, partners and media from two countries and left good impressions on attendees at the exhibition.





Business activities of subsidiaries

Net revenue from overseas subsidiaries

Reached

VND 3,588

billion

Increasing by

8.6%

over the previous year

Contributing

6.4%

to total revenue





Compared to the growth of 7.9% in 2018, the business results of foreign entities were improved thanks to the impressive business results of Angkormilk with a topline growth of more than 25% year-on-year. Considering sales to third parties alone,



sales increased more than 50% in 2019. Currently, Angkormilk Factory is the only dairy factory in Cambodia, creating great advantages for Vinamilk in diversifying product portfolio and building a distribution network in this country.

In 2019, Angkormilk recorded remarkable total revenue of

Nearly **USD 50.3** million

Equivalent to **VND 1,165** billion



This result is thanks to Company's continuously expanding its distribution system throughout Cambodia, diversifying its product portfolio, and constantly improving production efficiency.

The revenue of Driftwood Factory - a subsidiary of Vinamilk in the US in 2019 maintained stable growth. This company is one of the oldest milk manufacturers and market leaders in South California, USA. Driftwood has a very diverse product portfolio, of which the main products are fresh milk and juice. In addition to the main distribution channel being the school system in South California, Driftwood has also expanded its product distribution to hotels, restaurants and retail channels. Despite a tough year for the US dairy industry in 2019, Driftwood still achieved

Total revenue of over

Equivalent to

USD 114 VND 2,645

million

billion

Another subsidiary of Vinamilk in Poland, Vinamilk Europe Spóstka Z Ograniczona Odpowiedzialnoscia, has the main mission of purchasing raw materials for dairy production at Vinamilk and other subsidiaries. In 2019, the total output of purchased and exported milk powder

Reached over

With total revenue of more than

Equivalent to

7,000

USD 16

VND 373.8

tons

million

billion





71



DAIRY **FARMS**

FACTORY MANUFACTURING

The value chain starting from material pur-



Supporting functions such as administration-HR and finance also contribute to the completion of this value chain.

Sales, marketing, and research and development (R&D) activities are also included in Vinamilk's value chain with the criteria of maintaining transparency in products' origin and accurate communication of products' nutritional information.



Ending 2019 of "Change to Grow", all the Divisions in Vinamilk's value chain

SUPPORTING ACTIVITIES HR - FINANCE

have contributed to creating impressive results and successfully completing the annual plan, enabling the Company to maintain its leading position in Vietnam's dairy industry and gradually complete the 5-year plan for 2017-2021.

MARKETING & SALES



In addition, transportation and warehousing always work closely with production to ensure that products are not only supplied to the Vietnamese consumers but also reach out to international markets.

73

Sourcing pure raw milk with transparent origin



With the mission to deliver the highest source of nutrition to community, Vinamilk has always been transparent about the origin of raw milk used in production.

Comprehensive cooperation with and support for farmers

Since 1990 when Vietnam started to develop the dairy industry, Vinamilk has worked closely with farmers to purchase raw milk. The "white revolution" in 1991 was the Company's first attempt to build a domestic material area. The key solutions were to support farmers to invest in breeds, breeding and veterinary techniques, purchase milk at high price and guarantee loans to farmers to buy shares as to strengthen their bond with the Company, etc.

THE PROCESS OF PURCHASING RAW MILK FROM FARMER HOUSEHOLDS







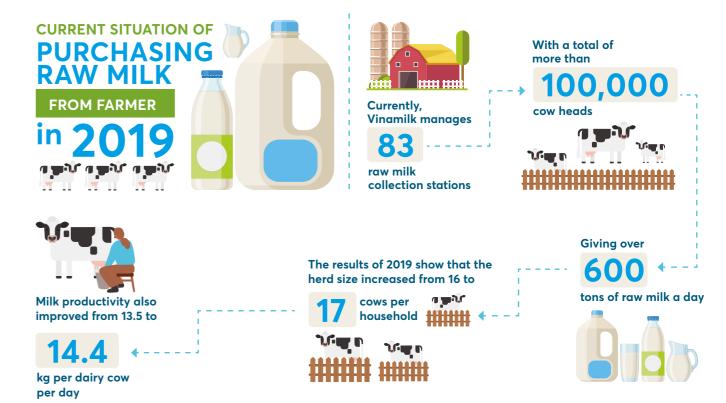




Farmer households provide milk following technical process Transport to collection stations

Transport to Vinamilk's raw milk centers/factories by specialized tankers

Analyze milk quality by Vinamilk staff as a basis for purchasing and making payment Make payment



Vinamilk always accompanies with farmers to provide guidance and advice on dairy farming techniques such as compound feed distribution, cleaning teet deep solution, technology consultancy and transfer, disease control, regular barn checks to ensure livestock quality, as well as working closely with local veterinary medicine for vaccination, epidemiological management, and cow ear tagging to monitor the amount of antibiotics in milk.

Raw milk quality is fully reserved and delivered in time to factories for production

In order to further improve the dairy farming by households, Cu Chi Raw Milk Center has been established, where receives all raw milk sourced from Ho Chi Minh city and surrounding areas, after quality check will be distributed to every factories in the city and Binh Duong.

The center is equipped with machinery equipment, including:

- Cold storage to keep all samples
- · Quick analysis system operated by bar code, returning results to each household;
- Automatic cleaning-in-place (CIP) system, providing tank trucks of milk stations with an advanced sanitation regime to ensure food hygiene and
- The system of fast cooling tanks with large volume and high flexibility can receive milk from the collection stations when needed as well as receive milk directly from farmers.



75



Not only developing dairy farm households, Vinamilk also constantly develops and completes the system of hightech industrial dairy farms.

The Company has invested and innovatively applied advanced technology into specific environmental and climate conditions in Vietnam. In 2006, Vinamilk was the pioneer enterprise in developing large-scale, state-of-the-art dairy farms with a total investment of up to VND 500 billion. The entire farm system is built as closed, automated with carefully selected cow breeds to bring the highest milk yield. All of Vinamilk dairy cows are pure HF breeds imported from Australia, the US and New Zealand.



VINAMILK HAS A TOTAL OF

GLOBAL G.A.P DAIRY FARMS

WITH A TOTAL HERD OF ABOUT cows

IN PARTICULAR

Vietnam Dairy Cow

10 **FARMS**

Thong Nhat Thanh Hoa Dairy

FARMS

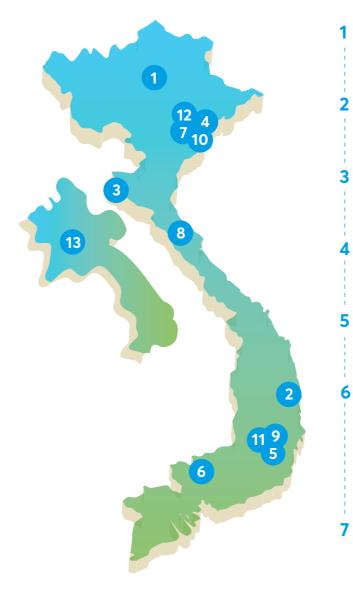
6,000

Lao-Jagro Development XiengKhouang Company in Laos is currently under construction of a dairy farm complex with capacity of

Being a new member joining in the system of Vinamilk's dairy farms, Moc Chau Milk now manages more than 2,000 dairy cows at its own farm and 23,000 cows through close association with

more than 600 dairy farmers and has three large dairy breeding centers. Moc Chau Milk herd size grows on average 14% a year and the average productivity reaches 25 liters of milk per cow a day.

THE DEVELOPMENT JOURNEY OF VINAMILK'S DAIRY FARM SYSTEM



2007

Tuyen Quang Farm scale of 2,000 heads

2008

Binh Dinh Farm scale of 2,000 heads

2009

Nghe An Farm scale of 2.600 heads

2010

Thanh Hoa Farm scale of 1,600 heads

2012

Vinamilk Da Lat Farm scale of 1,600 heads

2013

Tay Ninh Farm scale of 8,000 heads. In 2019, Vinamilk inaugurated the "Resort" and completed the entire farm.

2016

Nhu Thanh Farm scale of 2.000 heads

2016 8

> **Ha Tinh** Farm scale of 2.000 heads

2017

Da Lat Organic Farm scale of 1.000 heads

10 2018

Thong Nhat Thanh Hoa Dairy Farm No. 1 - scale of **4.000** heads.

11 2019

Vinamilk Di Linh Organic Dairy Farm scale of 700 heads.

12 2019

Thong Nhat Thanh Hoa Dairy Farm No. 2 scale of 4.000 heads

13 2019

Started construction the first dairy farm whose capacity of 8,000 heads in a complex of Lao-Jagro's organic dairy farms with a total capacity of 24,000 heads (phase 1)

It is expected that in 2020, Vinamilk is going to complete and have Quang Ngai Dairy Farm put into operation in Q2/2020, and an embryo transfer center will be put into operation at the end of March 2020 in order to select and provide superior cow gene resources with a total investment of VND 25 billion. Vinamilk plans to start constructing more dairy farms in Dong Nai, Can Tho and Laos.



Investing in modern technology and equipment

Currently, all dairy cow breeding systems are built based on modern, world-class design and technology consultancy from countries such as the US, Sweden and Israel:

- ▶ The housing system with cow alleys set up in ▶ The estrus detection system that helps to accordance with each stage of cow development;
- Super soft mattress imported from the US;
- Automatic drinking trough system;
- Automatic scratching brush system;
- Automatic cooling system with Israeli technology;
- ▶ Automatic manure rake system operated according to a preset cycle, automatically separates waste from the barn;
- Indentification chips and motion sensors attached on very cows.

With this system, all information about milk yield, milk productivity and cow activity level is monitored to give early warning of health status and reproductive cycle

- determine the most accurate time of insemination;
- ▶ The fully automatic silo feeding system equipped in all farms that helps to shorten operation time, reduce labor costs, save packaging costs and ensure weatherproof quality at the same time;
- Solar energy system



Focus in nutritious rations

Cow rations are calculated in consultation with foreign dairy nutritionists and mixed using Total Mixed Ration method. Each feed is always ensured adequate and balanced nutrition components according to the daily needs of each cow group. Compound feed is produced based on Vinamilk's own formula set up by the Company's dairy nutritionists at Global G.A.P certified feed factories. Green food is strictly controlled from the time of planting until harvesting. Feed ingredients are under quality control and all traceable.





Proactive development of high-quality human resources

In order to operate the current large-scale farm system, Vinamilk is fully aware of the importance of a highly qualified veterinary team. Therefore, the Company annually offers career opportunities to skilled workers throughout the country. The Company also offers training and coaching to ensure sustainable development and personnel succession.

Vinamilk has been signing consultancy contracts with leading experts in dairy farming from the US, Israel and Japan. Also, the Company has been regularly cooperating and building a network of connections with top dairy farming specialists across the world to train, exchange knowledge and transfer technology, thus taking Vietnamese dairy farming to approach the level of developed countries.





AVERAGE MILK YIELD AT VINAMILK'S FARMS

KG PER COW PER DAY



THE HIGHEST AVER-AGE MILK YIELD AT VINAMILK'S FARMS

PER COW PER DAY



VINAMILK'S TOTAL HERD SIZE



TOTAL AVERAGE

Vinamilk.com.vn



End-to-end production by factories equipped with state-of-the-art technologies.

Vinamilk has been carrying out production activities following internal processes in order to ensure quality to meet food safety, Organic and Halal standards.



Specifically, in 2019, Vinamilk has extended the Organic standard for seven factories and registered the Halal standard for new products in a number of categories including powdered milk and soft drinks. In particular, Vinamilk has basically completed technology standardization for each product and had machinery and equipment at all the factories installed in accordance with the Company's standards.

This helps to ensure quality stability and high specialization. In addition, Vinamilk has also effectively promoted the efficient use of materials in production.

Technical standards aside, at all 13 factories, all personnel in and out of production areas must comply with quality assurance and hygiene regulations. Vinamilk has compiled the Safety - Health - Environment Handbook to apply in all of its

A unique feature of Vinamilk in managing the 13-plant network that operates effectively, both in terms of capacity and product quality, is the production planning of factories in each region with high specialization, ensuring timely supply to the fluctuating demand.



In order to ensure the synchronization and consistency of production, Vinamilk has been:

- ▶ Implementing EOHS assessment of factories during the year;
- Establishing documentation for control and management of standard costs for fuel and vehicles as well as conducting periodic energy audits at the factories to optimize production costs while still meeting product quality;
- Maintaining the training to factory workers and employees on safety and environmental protection;
- ▶ Implementing the integrated assessment program of ISO 14001, 45001 and 50001 systems according to PAS 99.

In line with the development of our internal resources. Vinamilk has completed several investment projects to increase the capacity during the year, such as installing milk dispensers for the School Milk Program, raising production capacity for yogurt, eating yogurt, condensed milk and powdered milk,

and investing in a new production line for yogurt launched in 2019. In addition, newly completed projects in the year also involve installing more raw milk collection systems, expanding storage capacity, and installing ancillary lines in powdered milk production. Post-investment reviews are periodically conducted in order to timely have production plans that best suit market situations.

Vinamilk's strict adherence to the processes and standards demonstrates the absolute commitment to our defined mission of providing the community with top quality nutrition and quality. Vinamilk has further improved the production system, basically completed the investment plan according to the 5-year plan as well as doubled the capacity of some products, ensuring to meet the consumption demand. At the same time, Vinamilk has standardized all factories, reduced raw material cost. stabilized quality and maximized equipment performance.



07

FACTORIES



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Supply chain activities to promptly bring products to consumers

Supply chain function takes charge of purchasing materials as well as coordinating the transportation of materials, raw milk and finished products. In order to ensure smooth business operations, Vinamilk's supply chain activities contribute a major part.

The Company's logistics has been improved and applied to manage trips of warehousing and transportation enterprises and other transportation units with route splitting software, which saves 1.5 hours of transport time for each unit and closely manages outsourced units. In addition, Vinamilk has coded and applied traceability on the Company's ERP system for raw materials purchased from more than 500 manufacturers globally to ensure transparency in raw material quality. At the same time, Vinamilk also established and put raw material inventories in suppliers' warehouses on the Company's ERP

system. By applying technology in warehousing and transportation management of raw materials and technical supplies, Vinamilk ensures to meet the needs of timely transporting, storing and using raw materials and technical supplies as well as traceability as needed.

Further work on supply chain will continue to develop and implement tracking systems integrated into the Company's ERP to increase the efficiency of the fleet and delivery drivers while ensuring on-time delivery promised to distributors and supermarkets and bringing products in their best condition to consumers.







Distribution activities with extensive coverage

MORE THAN 200 DISTRIBUTORS WITH A TOTAL OF NEARLY

251,000

POINTS OF SALE NATIONWIDE

COVERING MOST SUPERMARKETS AND CONVENIENCE STORES ACROSS THE COUNTRY



SPECIAL CUSTOMER GROUPS ARE CONSTANTLY EXPANDING



THE "VIETNAM DAIRY **DREAM" STORE CHAIN HAS INCREASED TO**

STORES



The e-commerce channel has been optimized to diversify distribution channel and make shopping experience more convenient.

Visit Vinamilk's e-shop at: https:// giacmosuaviet.com.vn/



brand presence have affirmed Vinamilk's leading position. At the same time, this also demonstrates the acceptance and trust of consumers for the Company's product quality. Vinamilk's products are all loved and highly appreciated, not only in the domestic market but also in foreign markets.

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Creative and active marketing activities

Vinamilk constantly innovates, creates and continues to promote the development of new products with the aim of innovating, expanding and diversifying the product portfolio based on the tastes and needs of consumers; simultaneously, bringing diverse and convenient experiences to consumers.

Following the success of 100% Organic Fresh Milk, Vinamilk continues to affirm its leading position in the Organic super premium product line with the launch of Organic Gold baby formula and baby powder with EU Organic certification.





High-class products with many added value are constantly being introduced to the market such as Yoko powdered milk with imported materials from Japan and Optimum Gold HMO powdered milk, with breakthrough nutritional formula , meeting the most stringent nutritional needs of Vietnamese children.

Moreover, it is incomplete if not mentioning about products for teenagers such as energy drink Vinamilk Power or Happy Milk Tea. Products like Walnut Yoghurt, drinking Probi yoghurt with Turmeric flavour, etc have brought unique experiences for consumers.

Especially in 2019, Vinamilk has become the official sponsor of the national male and female football teams and the U22 / U23 / Olympic national team for 3 years (2019 - 2022). Being the top nutritional company of Vietnam, for over 40 years, Vinamilk always commits a mission of "Stand Tall Vietnam". This is also the beautiful meaning that both Vinamilk and the Vietnamese national team share. Because football is not only a sport but also arouses national pride and inspires dreams to rise of many generations of Vietnam.



Vinamilk's products are always transparent from input materials to production and nutritional value brought to consumers.



R&D activities boosted to serve diverse market demands

R&D activities in 2019 included constant research and improvement with the launch and re-launch of nearly 20 products not only in the domestic market but also in overseas ones, comprising of powdered milk, eating and drinking yogurt, nutritious powder, soy milk, ice cream and soft drinks. The innovation and new launch of these products have expanded Vinamilk's product portfolio, giving consumers a rich and convenient experience. Among these new products, there are remarkably powdered product lines (the first European-standard organic baby formula and feeding powder produced in Vietnam, Yoko baby formula with Japan ingredients), fermented products (Honey and Turmeric flavored Probi), low-sugar, refreshing-taste beverage (roasted rice milk, aloe vera tea), etc.

In addition, R&D activities also focus on social responsibility, ensuring that all activities are always associated with the Company's business philosophy of providing the community with high-quality nutrition. Vinamilk continued the tradition of organizing the Diabetes Club in 2019 with a total of 10 meetings with up to 508 participants and giving 19 health check-ups to the community. Not only that, the Company has published more than 30 health articles on stroke, cardiovascular disease, diabetes, breathing, etc. in newspapers and magazines.



Vinamilk also maintains a nutrition care call center (https://www.vinamilk.com.vn/vi/tu-van-dinh-duong), always ready to answer consumers' questions about product information. This call center is constantly updated with frequently asked questions and answers, trying to satisfy 100% of nutrition counseling calls.

Administration and HR. the solid support functions



In 2019, Vinamilk has restructured departments and divisions to be more in line with their assigned functions and tasks and to ensure sufficient staff for the arising work. Personnel during the year were kept at a stable level, without large or sudden fluctuations. Positions from senior managers to middle managers and specialists were promptly filled according to recruitment needs. The Company frequently considered, recognized and offered appropriate promotions to outstanding performers, showing respect for their dedication.

At Vinamilk, opinions and aspirations of employees are always heard and acknowledged. Therefore, Vinamilk has actively introduced and implemented appropriate internal development policies to create opportunities for personal and career development as well as employee income improvement. At the same time, it has created opportunities for managers and employees to build good relationships through training and workshops.

Vinamilk also continued the Succession Planning Program for key positions according to the new organizational structure and completed the evaluation of the Personal Development Plan and developing a new plan for 100% of the candidates. The Company has also completed the framework for performance review according to the Set of Competencies and implemented this online during the year. At the same time, in a more general aspect, Vinamilk has reviewed and updated all of the Policies, Regulations, and Procedures on human resources operations.

Thanks to sustainability of Vinamilk's personnel strategy in particular and development strategy in general, Vinamilk has continued to top The 100 best places to work in Vietnam 2019 for the second consecutive year.



Strong financial position, ensuring the prompt execution of every business activities



Vinamilk continued to maintain financial stability in 2019.

Consolidated net revenue reached VND 56,318 billion for the whole year of 2019, up 7.1% from the previous year and completed 100% of the year's plan, of which:

DOMESTICS



Increasing by 6.3% year over year

Contributing to 84.4% of total revenue (2018: 85 1%)

Compared to the 2.7% growth in 2018, the strong growth of 6.3% in 2019 mainly comes from the following contributors:

- ▶ Sales volume growth was driven by several key product lines with double-digit growth. In addition, a number of high-end product lines also recorded impressive growth, proving the appropriate strategic direction of Vinamilk in premiumizing its product portfolio.
- Vinamilk is one of the pioneers in the National School Milk Program. By the end of 2019, Vinamilk has won contracts via public bidding in 21 provinces and cities to supply school milk.

DIRECT EXPORT

Achieved net revenue of **VND 5,175** billion

Increased 14.8% from the previous year

Contributing to 9.2% of total revenue (2018: 8.6%)

OVERSEAS SUBSIDIARIES

Achieved net revenue of **VND 3,588** billion

8.6% from the previous year

Increased

Contributing to 6.4% of total revenue

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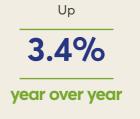
GO GLOBAL GO GREEN Annual Report 2019

(VND billion)	2019	2018	Increase/ (decrease)
Total revenue	56,318	52,562	7.1%
Profit before tax	12,796	12,052	6.2%
Profit after tax	10,554	10,206	3.4%
Total assets	44,700	37,366	19.6%
Owner's equity	29,731	26,271	13.2%
Share capital	17,417	17,417	0.0%
Total liabilities	14,969	11,095	34.9%

PROFIT MARGINS AND COST MARGINS STAYED POSITIVE

- Consolidated gross profit margin in 2019 reached 47.2%, an increase of 46 basis points, although the price of imported milk powder has increased from the previous year. In addition, the stable price of raw milk and the increasing sales volume are important factors to help stabilize the Company's gross profit
- Consolidated cost of goods sold and administration expenses in 2019 reached 25.6% of net revenue, maintaining a stable level compared to 25.5% of 2018.
- ▶ EBITDA margin in 2019 reached 26.4%, an increase of 30 basis points over the previous year thanks to the improved gross profit margin.







Consolidated net profit margin in 2019 reached 18.7%, down 70 basis points due to a number of expired tax incentives. Effective CIT rate in 2019 was 17.5%, an increase of 220 basis points over the previous year.

KEY RATIOS

In 2019 and until 19 December 2019, the Company completed its acquisitions of 75% of equity interest of GTNFoods Joint Stock Company through various acquisition transactions. The contribution of revenue and net profit after tax of acquired business to the Group's results during the period from acquisition date to 31 December 2019 was insignificant.

► Working capital management:

· Cash: Thanks to good results and efficient business in years, the Company always maintained a high level of cash and managed this cash flow in an effective and safe way to ensure capital needs for business and investment projects according to plans.

- Accounts receivable: accounted for 14% of current assets. During the year, no more significant bad debts were incurred; receivables management policy and customer credit policy were maintained to support customers' business expansion while ensuring safety.
- Inventory: accounted for 20% of current assets. Inventory turnover ratio was kept stable at 5.6 (2018: 5.4). There was no significant slow-moving inventory in 2019. The inventory management policy was maintained.
- Accounts payable: accounted for 8.2% of total liabilities and equity. Payables turnover was at 7.6 (2018: 7.4). The Company maintained a reasonable and strict payment policy with suppliers, consistent with the Company's operation.
- ▶ Long-term asset management: tangible fixed assets increased by 5.3%, from VND 13,048 billion to VND 13,744 billion. The Company maintained a policy for management and new investment of longterm assets as to ensure high effectiveness in asset management and suitability for future growth, avoiding waste and loss of assets.



Indicator	2019	2018	Note
1. Liquidity			
- Current ratio	1.71	1.93	(times)
- Quick ratio	1.36	1.39	(times)
2. Capital structure			
- Debt to asset ratio	33%	30%	
- Debt to equity ratio	50%	42%	
3. Operating efficiency			
- Inventory turnover	5.6	5.8	(times)
- Receivables turnover	16.4	15.0	(times)
- Payables turnover	7.60	7.40	(times)
- Asset turnover	1.37	1.46	(times)
4. Profitability			
- Profit after tax / Net revenue	19%	19%	
- Profit after tax / Equity (ROE)	38%	41%	
- Profit after tax / Total assets (ROA)	26%	28%	
- Operating profit / Net revenue	23%	23%	





INTERNATIONAL FEATURED EVENTS

ORGANIC dairy cow "resort" -5,000

Commencing Mega-Project: Lao-Jargo organic dairy farm complex in Xiangkhouang Plateau

Vinamilk officially started Phase 1 construction of the 5,000-hectare Organic Dairy Cow "Resort". The project involved the cooperation of three countries Laos, Vietnam and Japan in developing a designated area for organic raw materials following international standards that will then provide for Vietnamese and Asian dairy producers and promote technology-assisted dairy farming in Lao.









Vinamilk represented Asia at the 2019 Global Dairy Congress (Portugal) to share about organic product development

Vinamilk was the only Asian representative to present about Organic topic at the Global Milk Conference 2019 in Portugal. At the conference, Vinamilk has share its journey in developing and becoming the leader of Organic high-end products in Vietnam and Asia.







Made a good impression in

THE CHINESE MARKET

Vinamilk's fresh milk and Organic fresh milk exports were warmly welcomed in Singapore

Vinamilk exported fresh milk products, especially 100% Organic milk following European standards, to Singapore, and the products were well received by local consumers. The fact that Vinamilk was able to convince consumers in a foreign market with strict import regulations such as Singapore, particularly in the high-end segment of organic products, spoke volumes of Vinamilk's success in affirming its product quality and brand reputation.



market through the "Vietnam Dairy Product Launching Program in China" co-organized by the

Vietnam Dairy Association and the Department of Commerce of Hunan Province, as part of the 2019 International Exhibition of Food and Catering Industry. In this event, Vinamilk was highly regarded by the authorities, trade partners, media and especially Chinese consumers. Currently, Vinamilk's products are present in 8 provinces and cities of China, especially in supermarket chains such as Alibaba's Hema.

Successful launch in the Chinese

customers alike

market - Vinamilk impressed media and

Vinamilk made a good impression in the Chinese

Exported fresh milk to

SINGAPORE



91

INTERNATIONAL FEATURED EVENTS



Vinamilk is the only Vietnamese company named among Top 50 of Asia300 – the best listed companies in Asia

Japan's prestigious economic magazine, Nikkei Asian Review, recently published the list of 300 most powerful and valuable listed companies in Asia. Vinamilk is one of merely three food and beverage (F&B) enterprises in the Asian list, as well as the only Vietnamese company to make it to the top 50. This is also the fourth time Vinamilk has been voted into the list of Asia300.



Top **200 BEST OVER A BILLION** (APAC) BY **FORBES ASIA**



Vinamilk joined the Pacific-Asian billion-dollar club: Top 200 Best over a billion (APAC) by Forbes Asia

Forbes Asia named Vinamilk among the 200 best companies in Asia Pacific with a turnover of over USD 1 billion. This shows the initial successes of Vinamilk in business and production innovation, which enabled the company to maintain the leading position among Vietnamese dairy producers, as well as the deep trust of customers and investors domestically and globally.





2019 **ASIAN EXPORT AWARDS**

Vinamilk received Asian Export Awards 2019

Vinamilk was the only Vietnamese dairy company to receive the Asian Export Awards 2019 – in the category of large enterprises. More specifically, Vinamilk's condensed milk product was honored by the Organizing Committee in the category of Processed Foods. This is a big leap of Vinamilk in bringing "Vietnamese milk" to the global market





DOMESTIC FEATURES EVENTS

VINAMILK COW

"RESORT"

Tây Ninh with
capacity of

8,000 heads

Inauguration of Vinamilk Cow "Resort" Tay Ninh

The inauguration of Vinamilk Cow "Resort" Tay Ninh, the first facility to be fully governed by 4.0 automated technology, is the most celebrated event of 2019. The complex expanding over 685 hectares houses nearly 8000 cows, with initial investment reaching VND 1,200 billion.









Vinamilk confirmed the largest system of Global GAP-certified dairy farms in Asia

Vinamilk is currently having a system of 12 dairy and complex of dairy "resorts" across Vietnam.

This event marked a new milestone in the development of the dairy industry in Vietnam, celebrating Vinamilk's efforts to cultivate top-quality sources of dairy products for Vietnamese consumers following international standards, as well as boosting the animal husbandry section in Vietnamese agriculture.

* About the number of farms based on market research of Intage on 10 May 2019 for the highest number of certified GLOBAL G.A.P farms in Asia.



LEADING POSITION

RAW MILK MATERIAL ZONE



Moc Chau Milk official became a member of Vinamilk

Vinamilk officially acquired 75% of GTNfoods' authorized capital, directly took part in managing Moc Chau Milk as one of its subsidiaries. With this strategic move, Vinamilk cemented its leading position in raw material coverage for dairy production and committed to turn Moc Chau into the hi-tech dairy capital of Vietnam, contributing to the national growth of the industry.



Strategic cooperation with DuPont de Nemours Inc. (US) to apply international nutrition standards for Vinamilk products

Vinamilk cooperated with DuPont de Nemours Inc. to develop Optimum Gold products containing HMO, a nutrient that helps strengthen natural immunity and protect beneficial intestinal bacteria in humans. This is a result of creativity in Vinamilk's product development in order to bring Vietnamese customers closer to world-leading and trail-blazing consumer products.



Vinamilk launched Vinamilk Organic Gold product that certified EU Organic and applied SourceTrace technology

This is the first EU Organic-certified baby formula produced in Vietnam. The launch event of Vinamilk Organic Gold was attended by more than 500 leading doctors and nutrition experts in Vietnam.





DOMESTIC FEATURES EVENTS



Vinamilk named the best-selling brand in both urban and rural areas

Kantar's Worldpanel, the world leader in data, research and consultancy, recently released the prestigious "Brand Footprint 2019" report. In this report, Vinamilk was named the best-selling brand of milk and dairy products in both urban and rural areas for 7 consecutive years. Furthermore, this is the second year in a row Vinamilk being the best seller in the FMCG industry. The principal survey was conducted extensively in both Urban (including 4 large cities) and Rural areas of Vietnam.





Vinamilk's products triumph in both Milk and Powdered Milk categories in Vietnam

According to a report by Nielsen Vietnam, Vinamilk was the leading producer of Milk and Powdered Milk products in the Vietnamese market, both in volume and in sales, for 12 consecutive months.





Vinamilk named Vietnam's most valuable brand at USD 2.2 billion by Forbes Vietnam

Vinamilk maintained the first position in Forbes Vietnam's best 50 brands of 2019. This is the fourth consecutive year Vinamilk topped the chart.



Vinamilk was among Vietnam's 50 Best Listed Companies, says Forbes Vietnam

Vinamilk was rated by Forbes as the best listed company in Vietnam for the 7th consecutive year. This achievement reflects Vinamilk's outstanding efforts to maintain annual revenue growth and to invest in developing both raw materials and production technologies to constantly launching new, top-quality product lines, serving the community and meeting demands of the market.



COMMUNITY DEVELOPMENT AND **SOCIAL RESPONSIBILITY**



2019 marked the twelfth year of Vinamilk and Stand Tall Vietnam Fund's extensive journey to bring over 35 million glasses of milk to nearly 441,000 disadvantaged children all over Vietnam. Since its foundation, 'Stand Tall Vietnam' Fund has

untaken a benevolent mission, "for every kid to drink milk every day", following the conviction that the future generations of Vietnamese will have better chances of physical and intellectual development.







Mdm. Mai Kieu Lien – CEO of Vinamilk and Stand Tall Vietnam Fund gave milk to disadvantaged children of ethnic minorities in Quang Ninh.





Psychiatrist experts at Vinamilk's Nutrition Resource Centre performed health check-up and nutrtional constultation at the event organized by Stand Tall Vietnam Fund

The selected locales where Stand Tall Vietnam Fund donated milk products are all remote and impoverished areas, implying nutritional care for children being technically limited and thus routinely neglected.

In milk donation events organized by Stand Tall Vietnam Fund, besides delicious milk for the kids' enjoyment, there were free health check-up and nutritional consulting services from psychiatrist experts of Vinamilk Nutrition Resource Centre.

Schoolchildren could also engage in various games and activities, exclusively designed by the Stand Tall Vietnam Fund for the events, in a fun, interactive and creative manner, such as mini-basketball or ring-throwing, etc.





Tree-planting activity in Ha Noi by "A million trees for Vietnam" Fund and Vinamilk



"A Million Trees for Vietnam' is a social activity for community development initiated by Vinamilk, in collaboration with the Vietnamese Ministry of Natural Resources and Environment.

The program commenced in 2012 in order to plant more trees all over Vietnam and improve the living environment of Vietnamese people. Its target locations are mostly those in which trees are of crucial importance, such as rural villages, memorials and historical places, public spaces, schools and damaged land as a result of climate change in many provinces across Vietnam.

2019 marked the eighth year of 'A Million Trees for Vietnam' Fund's extensive journey to make Vietnam greener and fresher from north to south.

In 2019, more than 171 thousand trees were planted in Ho Chi Minh City and Binh Dinh. As of now, the program has plant over 851 thousand trees, equivalent to a total of **VND 11 billion**, in 41 locations of 18 provinces. The charitable initiative is getting closer the target of planting 1 million trees in Vietnam.



171,000 trees

in Ho Chi Minh City and Binh Dinh



851,000 trees

11 billion 41 locations 18 provinces



Schoolchildren happily brought empty milk boxes to get small trees as exchanges, organized by 'A Million Trees for Vietnam' Fund in Ho Chi Minh City and Hanoi



Tree-planting activity by Vinamilk and 'A Million Trees for Vietnam' Fund in Binh Dinh



Schoolchildren took commemorative pictures with their trees



SCHOOL MILK PROGRAM



Vinamilk School milk program

The pioneer



Since 2007



Hundreds of millions of milk boxes



Provinces and cities

" Vinamilk has been the pioneer in implementing 'School Milk' initiatives since 2007.

Vinamilk has been the pioneer in implementing 'School Milk' initiatives since 2007. In 13 years of endeavor, Vinamilk has provided hundreds of millions of milk boxes for nursery and primary school children in various Vietnamese provinces such as Bac Ninh, Ba Ria - Vung Tau, Ben Tre, Tay Ninh, Da Nang, Vinh Long, Hanoi and Ho Chi Minh, etc for the sake of the children's physical and intellectual development.

Vinamilk is now providing milk for schoolchildren in 21 provinces participating in the initiative.



Teachers in Ho Chi Minh City practiced folding milk cartons for easier collection and recycling.



Ha Noi schoolchildren had fun drinking school milk.



Teachers participated in 'School Milk' training sessions as to organize milk-drinking time in class.

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"Highlights of the 'School Milk' initiative in 2019

The journey to explore School milk, from farms to factories



Actor Manh Truong and his daughter visited the farmhouse in Tay Ninh resort, a place supplying fresh milk to produce delicious glasses of school milk.

Teachers, parents and students visited the Vietnam Dairy factory in Binh Duong, where school milk is produced by the most modern automation technologies.



Last summer, the Vinamilk Cow 'Resort' in Tay Ninh and the Mega-factory in Binh Duong welcomed a special group of visitors - the little 'School Milk' customers, along with their parents, teachers and Actor Manh Truong's family. They came to witness firsthand the grand production system and the elaborate process of making top-quality, highly nutritional school milk boxes. During the tour, the students and teachers were deeply impressed with what they had seen in the facilities. This is a memorable experience that taught them much more about real-life industrial activity than any lessons in class.



School Milk festival in Da Nang



Kids had fun with the models made of recycled milk cartons at Da Nang School milk festival



Vietnam's Vice President, Dang Thi Ngoc Thinh, and representatives initiated the opening ceremony of School Milk Festival in Da Nang

In celebration of the twentieth anniversary of World Milk Day, Vinamilk, in collaboration with Da Nang's Department of Education and Training and Vietnam Dairy Association, organized the School Milk Festival for kindergarten children in Da Nang.

The City of Da Nang and the organization board also awarded prizes for milk carton recycling ideas and held a small exhibition to honor the best models made by kindergarten teachers and students in Da Nang.

At the event, children also took part in many fun, interactive and creative activities, as well as having their health checked and consulted by psychiatrist experts of Vinamilk Nutrition Resource Center.



DEVELOPMENT STRATEGY TO 2021



DEVELOPMENT STRATEGY

TO 2021



Maintaining the No. 1 position in the Vietnamese market and aiming to reach the Top 30 World's Largest Dairy Companies in terms of revenue, Vinamilk has identified a development strategy with three main pillars for execution, including:

01

Leading in highly applicable innovations



- Focus on dairy and dairy related products, which is the core business that has established the Vinamilk brand.
- Continue on R&D to develop more new products with innovations; expand and diversify portfolio based on consumers' preferences and demands; as well as bring various and convenient experiences to them.

02

Consolidating the leading position in Vietnam's dairy industry



- Prioritize to exploit the domestic market which still has great growth potential.
- Promote more on high-end and added value products, especially in urban areas.
- Penetrate and cover rural areas with mainstream products that growth potential is large.
- Continue to build a large and strong domestic distribution system, increase market share and maintain Vinamilk's leading position in the market.

03

Becoming the most valuable dairy company in the Southeast Asia



- Be ready for M&A activities and expand strong cooperation with partners in all three directions of horizontal, vertical and combined integration.
- Prioritize to seek M&A opportunities with dairy companies in other countries for the purpose of expanding the market and increasing sales.
- Continuing to penetrate new export markets with the strategy of converting the traditional goods export model into types of deep cooperation with distribution partners in new key markets.

2020 GUIDANCE



CONSOLIDATED REVENUE NOT LESS THAN

VND 62,000

billion



PROBIT BEFORE TAX MARGIN NOT LESS THAN

20%



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CORPORATE GOVERNANCE

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5.2 Risk management report 124

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5.1 CORPORATE GOVERNANCE REPORT

Updates on corporate governance's documentation:

Vinamilk adheres to the best corporate governance principles and conducts its business in compliance with applicable laws, rules and regulations, including the Listing Manual ("Listing Manual") of the State Securities Commission of Vietnam and the Ho Chi Minh City Stock Exchange ("HOSE"). In addition, Vinamilk has sought to comply with the principles and guidelines of the Code of Corporate Governance issued by the Singapore Stock Exchange to the extent possible. This is in accordance with the best practices in corporate governance that are globally accepted.

Since September 2019, Vinamilk has been applying the "Vietnam Corporate Governance Code of Best Practices" issued by SSC and IFC in August 2019. The BOD has made an assessment report on the Company's current corporate governance in comparison to this document. Accordingly, the BOD considered Vinamilk's corporate governance practices very much in line with this Code of Best Practices.

ltem	Matter	Recommended practices	Matched	Percentage (%)
1	Responsibility of the Board of Directors	94	77	81.9%
2	Control Environment	25	23	92.0%
3	Disclosure and Transparency	16	10	62.5%
4	Shareholder rights	28	23	82.1%
5	Stakeholder relations	7	5	71.4%
	Total	170	138	81.2%



The BOD commits to continue researching and gradually applying the best corporate governance practices recommended by this document.

The Vietnam Corporate Governance Code of Best Practices has been published in the mass media and investors can refer to this document at the following link:

https://viod.vn/wp-content/uploads/2019/08/Vietnam-CG-Code-of-Best-practices_v1.0_EV.pdf

Therefore, within the Corporate Governance Report presented in this annual report, we only present the core contents with specific information that should be disclosed, either compulsorily or customarily, to investors and related parties as follows:

A. THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

PRINCIPLE 1: ESTABLISHING CLEAR ROLES, RESPONSIBILITIES AND COMMITMENT OF THE BOARD OF DIRECTORS

At Vinamilk, the BOD always acts on the basis of sufficient information for the best and long-term interests of the Company, in a dedicated, diligent and prudent manner, serving the interests of all shareholders while also having concern for the interests of the related parties of the Company.

1.1.1. At Vinamilk, the roles and responsibilities of the BOD are specified in the Company's Charter and Regulations on Corporate Governance, which have been issued and published on the Company's website at: https://www.vinamilk.com.vn/en/corporate-governance/

The main information published on the website above is as follows:

- Organizational chart,
- Company's Charter,
- Regulations on Corporate Governance,
- Code of Conduct
- 1.1.2. The BOD reviews and approves the Company's strategic orientation, risk management policies, annual business plans, large investments valued at VND 100 billion or more and all external investment projects in which joint ventures, associates and subsidiaries of Vinamilk are formed (including M&A activities). The BOD also oversees these investments by issuing post-investment performance assessments, as well as deciding on the divestment of these investments.
- 1.1.3. The BOD has been well performing its oversight role in monitoring the effectiveness of the Company's governance and compliance with applicable laws. In addition, the BOD also pays special attention to the Company's sustainable development policy and its environmental protection and social responsibility activities. All these contents are reported to the BOD by the BOM. In particular, the Company has prepared sustainable development reports since 2012 and has been officially audited by an independent consulting firm since 2016 to increase the accuracy, independence, objectivity and reliability of the reports. Please see the Company's latest sustainable development reports at https://www.vinamilk.com.vn/en/sustainabledevelopment-news/
- 1.1.4. All members of the BOD actively participate in supervising the Company's operations and engage in discussions at quarterly meetings or through written opinions. The BOD is encouraged to make proposals and recommendations to the Company at any time necessary and there is no limit to the space, time and content of discussion. Meeting documents must be sent to the BOD members at least 7 days before the meeting.
- 1.1.5. Members of the BOD are responsible for attending all of the Company's BOD meetings during the year. In case any member fails to attend the meeting, s/he must send a notice to the BOD and state specific reasons. Minutes of the meeting are sent to all members of the BOD to keep track of all the contents of the meeting. In 2019, Vinamilk's BOD had the following meetings:

No.	BOD member	Position	Date of joining the BOD	Meetings attended	% attendance	Note
1	Mrs. Le Thi Bang Tam	Chairwoman	26/04/2013	4/4	100%	
2	Mrs. Mai Kieu Lien	Member	23/03/2012	4/4	100%	
3	Mr. Alain Xavier Cany	Member	31/03/2018	4/4	100%	

No.	BOD member	Position	Date of joining the BOD	Meetings attended	% attendance	Note
4	Mr. Alain Xavier Cany	Member	31/03/2018	4/4	100%	
5	Mr. Nguyen Ba Duong	Member	15/04/2017	3/4	75%	(*)
6	Mrs. Dang Thi Thu Ha	Member	15/04/2017	4/4	100%	
7	Mr. Do Le Hung	Member	15/04/2017	4/4	100%	
8	Mr. Michael Chye Hin Fah	Member	15/04/2017	4/4	100%	
9	Mr. Lee Meng Tat	Member	01/09/2016	4/4	100%	(*)
10	Mr. Nguyen Chi Thanh	Member	31/03/2018	2/4	50%	(**)

^{(*):} Absent with known reason

1.4. Personnel succession planning:

With the advice of the world's leading HR consulting firm from the US, the Company has been implementing the Personnel Succession Plan for many years and is ready to meet its development needs.

The BOD commits to supervise and implement the Company's policies in a serious, objective and transparent manner. This policy includes seeking, training and developing succession staff for the BOM and other key management levels of the Company.

PRINCIPLE 2: ESTABLISHING A COMPETENT AND PROFESSIONAL BOARD OF DIRECTORS

Vinamilk has been maintaining a professional, objective and effective BOD with the role of ensuring the profitability and sustainability of the Company, for the best interests of the Company and all of its shareholders.

Based on Resolution No.01/NQ-CTS.ĐHĐCĐ/2018 dated March 31, 2018 of the 2018 AGM, the structure of Vinamilk's BOD for the term of 2017-2020 is composed of 11 members and with no The Inspection Committee. The current BOD of Vinamilk includes:

No.	BOD member	Position
1.	Mrs. Le Thi Bang Tam	Chairwoman, independent member
2.	Mrs. Mai Kieu Lien	Executive member
3.	Mr. Alain Xavier Cany	Non-Executive member
4.	Mr. Nguyen Ba Duong	Independent member
5.	Mrs. Dang Thi Thu Ha	Non-Executive member
6.	Mr. Do Le Hung	Independent member
7.	Mr. Michael Chye Hin Fah	Non-Executive member
8.	Mr. Le Thanh Liem	Executive member
9.	Mr. Lee Meng Tat	Non-Executive member
10.	Mr. Nguyen Chi Thanh	Non-Executive member (resigned in August 2019)

Therefore, the BOD is still missing two members due to one member resigned in 2019 and the Company has not yet found suitable candidate for the remaining independent member position.

<u>Principle 2.1:</u> Collectively, the BOD possesses a diverse and appropriate perspectives, expertise, skills, and competencies to play an effective driving and supervising role of the Company. Please refer to the profile of each BOD member from page 28 to page 33 of this report.

- <u>2.1.1.</u> According to the Company's assessment, the BOD has met the conditions of competency and professionalism such as the diversity of knowledge and experience in corporate management activities and in accordance with the Company's requirements.
- <u>2.1.2.</u> The introduction of candidates for additional and new election of BOD members is also thoroughly considered by the BOD's Nomination Committee according to the process of selecting candidates for BOD members before submitting to the BOD for review and proposing to the AGM for voting in accordance with the Company's procedures.
- <u>2.1.3.</u> Vinamilk's BOD currently has 3 female members, accounting for 33.3% of the total number of incumbent BOD members. This reflects gender diversity in the BOD.

<u>Principle 2.2:</u> Vinamilk's BOD currently consists of 2 executive members and 7 non-executive members. Non-executive members possess the necessary criteria to effectively participate and help the BOD have objective and independent judgements about the Company's operation, ensuring an appropriate control and balance mechanism.

<u>Principle 2.3:</u> The BOD has appointed the Company Secretariat composing of 3 persons. The Secretariat is directly responsible to the BOD for all matters related to the functions and operations of the BOD. In addition, the Secretariat is assigned by the BOD to take charge of the content of corporate governance. The Secretariat is composed of:

No.	Full name	Position at Vinamilk
1	Mr. Tran Chi Son	Senior Finance Manager
2	Mrs. Le Quang Thanh Truc	Director of Foreign Subsidiary Management
3	Mr. Nguyen Trung	Director of Supply Chain – Logistics

All Secretariat members have been trained and certified in Corporate Governance Please see the Secretariat's profiles from page 38 to page 39 of this report.



Principle 2.4: All members of the BOD have participated in the Corporate Governance training courses at home and in the region. In which, 3 members including Mrs. Dang Thi Thu Ha, Mr. Do Le Hung and Mr. Le Thanh Liem participated in the Advanced Corporate Governance training course organized by VIOD in 2019. In addition, the following BOD members have also become members of VIOD since 2019:

- Mrs. Le Thi Bang Tam
- Mrs. Mai Kieu Lien
- Mr. Do Le Hung
- Mr. Le Thanh Liem

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^{(**):} Mr. Thanh ceased to be a BOD member since August 2019.

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PRINCIPLE 3: ENSURING EFFECTIVE LEADERSHIP AND INDEPENDENCE OF THE **BOARD OF DIRECTORS**

Principle 3.1: Vinamilk's BOD currently has 3 independent members, accounting for a third of the total number of BOD members. Independent members include Mrs. Le Thi Bang Tam, Mr. Nguyen Ba Duong and Mr. Do Le Hung. The independent BOD members at Vinamilk have the capacity to promote the independent judgment of all BOD members and the integrity of the governance system at Vinamilk.

Principle 3.2: All 3 independent BOD members at Vinamilk have just joined the BOD for no more than 5 years. In addition, all these independent BOD members are head of Committees under the BOD as described in Principle 4 below.

Principle 3.3: Mrs. Le Thi Bang Tam, Chairwoman is an independent member of the BOD.

PRINCIPLE 4: ESTABLISHING COMMITTEES UNDER THE BOD

At Vinamilk, the BOD has established 4 specialized committees under the BOD as follows:

- Audit Committee
- Nomination Committee
- Remuneration Committee, and
- Strategy Committee

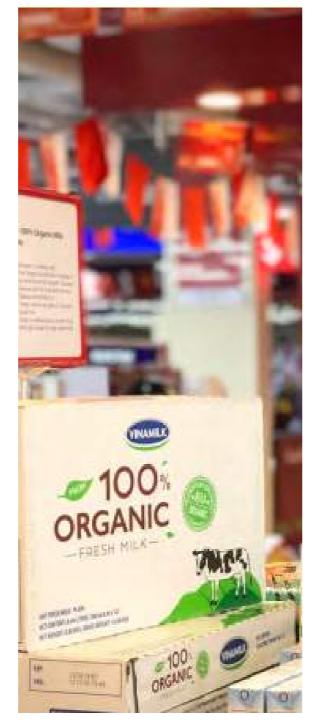
The establishment of these Committees to assist the BOD in carrying out specific responsibilities and well performing its supervision duties. The BOD has also established limits of authority for approval of operating and capital expenditures, procurement of goods and services, etc. and in order to optimize operational efficiency, clearly delegated relevant Committees to review and approve the transactions within the above limits. In addition to the special issues that require the BOD's approval, the BOD is also responsible for reviewing and approving annual budgets, financial plans, financial statements, business strategies and major transactions, such as M&A, divestments, financing and investment proposals, and is also responsible for reviewing and approving transactions that exceed certain thresholds.

In order to resolve and manage possible conflicts of interest related to the interests of members of the BOD and the Company, members of the BOD are not required to vote on any issues in which they have interests or conflicts.

STRATEGY COMMITTEE

The Strategy Committee was established by the BOD, including four members, namely Mrs. Mai Kieu Lien, Mr. Nguyen Ba Duong, Mr. Lee Meng Tat and Mr. Nguyen Chi Thanh (resigned in August 2019 and no replacement has been elected yet). The Committee's Head is Mrs. Mai Kieu Lien.

Strategy Committee is mainly responsible for drafting and proposing the Company's business strategy to the BOD, specifically including (1) approving the vision, mission and long-term strategic goals, (2) supervising the formulation and implementation of the strategy, (3) taking charge of orientation for sustainable and responsible development, (4) responsible for integrated reporting, and (5) taking charge of related party relations.



AUDIT COMMITTEE

The BOD established the Audit Committee and determined the qualifications of its members and the authority and responsibilities of the Committee in the Audit Committee Charter. The Audit Committee includes four members of the BOD, namely Mr. Michael Chye Hin Fah, Mrs. Dang Thi Thu Ha, Mr. Do Le Hung and Mr. Le Thanh Liem. Mr. Do Le Hung, an independent BOD member, is the Committee's Head.

The Audit Committee is primarily responsible for reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the Company's financial statements, internal control and internal audit systems, compliance with laws relating to the business of the Company, associated transactions, related party transactions or transactions which may give rise to conflicts of interest, the scope and results of the external audit, as well as considering and selecting the Company's and its subsidiaries' independent auditors.

The Audit Committee performs the function of risk management and monitors the effectiveness of the Company's internal control system and reports to the BOD on a quarterly basis.

Please refer to the Audit Committee's report on the performance and responsibilities of the Audit Committee for the year ended December 31, 2019 on page 64 of this report.



NOMINATION COMMITTEE

The Nomination Committee was established by the BOD, including Mrs. Le Thi Bang Tam, Mrs. Mai Kieu Lien, Mr. Lee Meng Tat and Mr. Nguyen Chi Thanh (resigned in August 2019 and no replacement has been elected yet). Mrs. Le Thi Bang Tam, an independent member of the BOD, is the Committee's Head.

The Nomination Committee is primarily responsible for determining the criteria and selecting the right persons to be appointed as BOD members and key management positions, developing procedures and quidelines for such selection to uphold transparency, performing duties in accordance with the laws and the Listing Manual as well as any amendments made thereunder and orders of competent authorities to the extent that is relevant to the Committee's scope of authorities, duties and responsibilities, reviewing the nomination for re-appointment of BOD members and assisting the BOD in deciding and reviewing the independence of independent BOD members at least annually.

The Nomination Committee is responsible for supervising the execution of the personnel succession program according to Principle 1.4 on Corporate Governance as presented.

REMUNERATION COMMITTEE

The Remuneration Committee was established by the BOD, consisting of four members, namely Mr. Nguyen Ba Duong, Mr. Michael Chye Hin Fah, Mrs. Dang Thi Thu Ha and Mrs. Le Thi Bang Tam. Mr. Nguyen Ba Duong, an independent BOD member, is the Committee's Head.

The Remuneration Committee is mainly responsible for:

- Developing policies and guidelines in determining salaries, bonuses and remuneration for members of the BOD and the BOM as well as reviewing, amending or revoking processes and regulations on the remuneration of BOD members to be approved by the Annual General Meeting of Shareholders ("AGM"),
- Reviewing and evaluating the salaries, bonuses and remuneration of members of the BOD and the BOM and propose to the BOD,
- Proposing to the BOD a framework and standards for salaries, bonuses and remuneration of members of the BOD and the BOM,
- Proposing specific salaries, bonuses and remuneration for each BOD member and Executive Director.

PRINCIPLE 5: ENSURING EFFECTIVE PERFORMANCE OF THE BOARD OF DIRECTORS

At Vinamilk, the best measure of the BOD's effectiveness is through the BOD assessment process. All members of the BOD are assessed at least once a year to assess their performance as a governing body as well as the BOD's performance in general to make appropriate adjustments.

Principle 5.1: The BOD conducts an annual self-assessment of the performance of each committee. After that, the BOD shall hold a formal meeting to assess the performance of each committee and the whole BOD during the year. The performance assessment of each BOD member shall be considered by the BOD to be conducted at an appropriate time in the future.

Principle 5.2: The assessment of members of the BOD is conducted through a process with clearly defined and thoroughly considered assessment criteria to determine the effectiveness of the activities and efforts of each BOD member and committees accurately, completely and objectively.

Principle 5.3: The remuneration for the BOD in 2019 has been approved by the Company's AGM. The actual remuneration paid to each member shall be proposed by the Remuneration Committee to the BOD for approval based on the roles, tasks and performance results of each individual and the whole Company in the year, in order to create motivation for the BOD to lead the Company to achieve both short-term and long-term goals.

Detailed remuneration of members of the BOD and the BOM (including those holding executive positions) for the year ended December 31, 2019 are presented as a percentage breakdown by the following types: (1) Salary, (2) Bonuses based on the Company's performance, and (3) BOD's remuneration. The Company has announced the BOD's remuneration as described below.

BOD member	Salary	Bonus based on the Company's performance	BOD remuneration
Executive member			
Mrs. Mai Kieu Lien	29%	64%	7%
Mr. Le Thanh Liem	48%	38%	14%
Non-executive member			
Mrs. Le Thi Bang Tam	-		100%
Mr. Alain Xavier Cany	-	-	100%
Mr. Nguyen Ba Duong	-	-	100%
Mr. Michael Chye Hin Fah	-	-	100%
Mrs. Dang Thi Thu Ha	-	-	100%
Mr. Do Le Hung	-	-	100%
Mr. Lee Meng Tat	-	-	100%
Mr. Nguyen Chi Thanh (1)	-	-	100%

Note: (1) This BOD member has resigned officially since August 2019.

Executive Director	Salary	Bonus based on the Company's performance
Mr. Mai Hoai Anh	49%	51%
Mr. Trinh Quoc Dung	51%	49%
Mrs. Nguyen Thi Thanh Hoa	50%	50%
Mrs. Bui Thi Huong	53%	47%
Mr. Nguyen Quoc Khanh	51%	49%
Mr. Phan Minh Tien	53%	47%
Mr. Tran Minh Van	54%	46%

PRINCIPLE 6: ESTABLISHING AND MAINTAINING AN ETHICAL CORPORATE CULTURE

Vinamilk issued a Code of Conduct in January 2010 and applies to all members of the BOD, the BOM and all employees.

Principle 6.1: The Nomination Committee supervises to ensure the application of the Code of Conduct to establish a high standard of business culture throughout the Company. This Code of Conduct provides standards for professional and ethical behavior, as well as clarifies those behaviors and activities that are acceptable and unacceptable in internal and external relationships. The Code of Conduct has been disseminated appropriately to the BOD, the BOM and all employees (including those of Vinamilk's subsidiaries) and is made public on the Company's website at: https://www.vinamilk.com.vn/en/corporate-governance/

Principle 6.2: The BOD ensures appropriate and effective implementation and monitors compliance with this Code of Conduct throughout the Company's operations. The BOD encourages the application of this Code of Conduct to all of Vinamilk's subsidiaries and associates.

Principle 6.3: The BOD is the focal point and collectively bears accountability for the governance of the company, its long-term success and the delivery of sustainable value to its stakeholders. The BOD always sets the role model for the BOM and employees of the Company to follow.



B. CONTROL ENVIRONMENT

PRINCIPLE 7: ESTABLISHING A SOUND RISK MANAGEMENT POLICY AND CONTROL ENVIRONMENT

The BOD has established an effective internal control system and risk management policy. The Board is ultimately responsible for the Company's risk management policy and oversees the operation of the Company's internal control system. The BOD established the Audit Committee, the Internal Audit Department, the Internal Control and Risk Management Department to control and monitor these functions.

<u>Principle 7.1:</u> The BOD ensures the integration of strategy, risk and control, and oversees the effectiveness of the Company's internal control system. All production and business activities of the Company must be considered by the BOM and the BOD in terms of the relevant risks.

Please see the Risk Management Report presented on page 124 of this report.

<u>Principle 7.2:</u> The BOD has established an internal audit function that provides objective and independent advice to add value and improve the Company's operations, consisting of the following units:

- ▶ Audit Committee under the BOD (presented at Principle 4),
- ▶ Internal Audit Department,



- In particular, the Audit Committee directly manages and gives technical instruction to the Internal Audit Department.
- The Company established the Internal Audit Department as an independent unit to assist the BOD, via the Audit Committee, by evaluating and improving the effectiveness of risk management. internal control and management processes. In this regard, the Audit Committee shall approve the appointment, demotion, transfer and dismissal of the Director of Internal Audit in consultation with the CEO, as well as the performance assessment of the Director of Internal Audit. The Director of Internal Audit's remuneration is determined based on competence, experience and compliance with the Company's remuneration policies, with the approval of the Audit Committee and the CEO. The Director of Internal Audit reports directly to the Audit Committee and functionally under the CEO. This organizational structure and reporting relationships enable the Internal Audit to perform tasks and responsibilities objectively and independently. The Internal Audit is authorized to have access to documents, records, assets and personnel of the Company to carry out its duties, including access to the Audit Committee. The Internal Audit adopts a risk-based audit methodology to develop audit plans to ensure that audit activities are in line with the key risks of Vinamilk. Based on risk assessments performed, greater focus and appropriate review intervals are set for high-risk activities and significant internal controls, including compliance with the Company's policies, procedures and regulatory responsibilities.



- In the year ended December 31, 2019, the Internal Audit conducted audits as detailed in the internal audit plan submitted to and approved by the Audit Committee. The findings and recommendations of the Internal Audit on areas of improvement have been reported to the BOM for implementation. Each quarter, the Internal Audit submits to the Audit Committee the report on the status of the audit plan and on audit findings and actions taken by the BOM. Key findings were highlighted at Audit Committee meetings for discussion and follow-up actions. The Audit Committee supervises the timely and proper implementation of corrective, preventive or improvement measures undertaken by the BOM. To ensure that the internal audit activities are carried out effectively, Internal Audit recruits and employs qualified staff with the necessary skills and experience. These employees are trained and given development opportunities to update their professional knowledge and audit skills. In addition, Vinamilk encourages and supports them to improve their qualifications so that they can become certified internal auditors or obtain other relevant professional qualifications. The Audit Committee shall annually evaluate the Internal Audit's performance to ensure that the Internal Audit has sufficient resources and suitable positions in the Company to perform its functions effectively.

<u>Principle 7.3:</u> The BOD has also established a compliance function, namely the Internal Control and Risk Management Department, as the second line of defense with the necessary standing and authority.

- ▶ The BOD recognizes the responsibility to ensure a system of risk management and internal control to protect the investments of shareholders and the Company's assets. In this regard, the Audit Committee has each of its members oversee various areas to ensure the adequacy and effectiveness of financial, operational, compliance and information technology controls, including systematic risk management through the identification of subjects, structures, strategies and risks, and the monitoring of risk management results.
- ▶ To support compliance with applicable laws and regulations, the BOD has also developed effective internal control systems to monitor compliance with laws and regulations related to the Company's business activities.

<u>Principle 7.4:</u> Recognizing the importance of information technology to the Company's business operations, the BOD has appropriately established and monitored the effective operation of a cybersecurity policy for many years. The cybersecurity policy established and applied by Vinamilk is an integral part of the Company's overall risk management system.

<u>Principle 7.5:</u> The BOD has established the selection criteria for the independent auditor, evaluation of the quality of work of the independent auditor, and set procedures for follow-up on independent auditors' recommendations

- When selecting the Company's independent auditor, the Audit Committee considers independent auditor candidates in terms of qualifications, recognized achievements and independence in providing audit services with no relationship or interest with the Company, including non-audit services that shall affect the independence of the auditor. The bidding process for selecting independent auditors has been implemented at the Company with high professionalism, publicity and transparency.
- According to the authorization of the AGM, the BOD selected KPMG Vietnam Co., Ltd. (KPMG) as the Company's independent auditor for the 2019 financial year.
- ▶ The Audit Committee holds regular meetings with the independent auditor every quarter before publishing quarterly financial statements. In these meetings, the Audit Committee shall review all contents related to financial statements and recommendations of the independent auditor, if any.
- ▶ The total costs of non-audit services arising in 2019 only account for 32% of those paid for audit services in the year.

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C. DISCLOSURE AND TRANSPARENCY

PRINCIPLE 8: STRENGTHENING COMPANY DISCLOSURE PRACTICES

The BOD commits and ensures adequate communications with shareholders, investors, regulators and the general public by pursuing a transparent and effective disclosure policy.

<u>Principle 8.1:</u> Vinamilk has issued and applied the Regulations on Information Disclosure and since 2018. Accordingly, the Company commits to always comply with transparency and fairness in information disclosure to all shareholders and other stakeholders.

- ▶ CEO is the person who publishes the Company's information and in 2019 the Company had no violation of the laws on information disclosure;
- ▶ Information, when disclosed outside of the Company, is simultaneously sent to all members of the BOD, the division in charge of corporate governance and the relevant functional departments to supervise the disclosure of this information.

<u>Principle 8.2:</u> In order to promote effective and optimal access to relevant information, Vinamilk always ensures easy and non-discriminatory access to information that has been published by various communication tools. In addition, Vinamilk has a department in charge of investor relations which is always ready to welcome shareholders and investors as follows.

- Vinamilk commits to maintaining bilingual information disclosure in Vietnamese and English, so that foreign shareholders and investors can update information as quickly as possible.
- Vinamilk maintains various channels for information disclosure such as:
 - On the Company's website at: https://www.vinamilk.com.vn/en/announcements
 - On the HOSE website at: https://www.hsx.vn/Modules/Listed/Web/SymbolView/128
 - In the mass media
 - Through the Company's Investor Relations Unit (IR) as follows:
 - Vietnam Dairy Products Joint Stock Company
 - 10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City
 - Investor relation page: https://www.vinamilk.com.vn/en/ir-contact
 - Or Mr. Dong Quang Trung IR Manager
 - Email: datrung@vinamilk.com.vn
 - Tel: (+84 28) 541 55555, Ext: 108247
- ▶ Vinamilk actively participates in conferences and meetings with domestic and foreign investors to provide information on the Company's business activities.

<u>Principle 8.3:</u> The BOD commits to ensuring the best possible disclosure of non-financial information, including environmental and social reports. Please refer to the content presented in Principle 1.1.3 of this report.



D. RIGHTS OF SHAREHOLDERS

PRINCIPLE 9: ESTABLISHING A FRAMEWORK FOR EFFECTIVE EXERCISE OF SHAREHOLDERS' RIGHTS

The BOD needs to protect the rights of shareholders and ensure equitable treatment of all shareholders, including minority and foreign shareholders.

Principle 9.1: Rights of shareholders:

- ▶ The Company recognizes and honors the rights of its shareholders and owners, including minority and foreign shareholders.
- ▶ The Company ensures fair and appropriate treatment for each shareholder through accurate, transparent and timely disclosure. The Company focuses on the adequacy of the disclosure so that shareholders can make informed decisions at the shareholders' meetings, including voting and expressing opinions about significant changes and electing BOD members based on accurately, completely, transparently, and fairly disclosed information.
- ▶ Shareholders' rights are also clearly defined in the Company's Charter and protected by Vietnamese law. In addition, the BOD also closely monitors these contents. Details of shareholders' rights in the Company's Charter are published on the Company's website at: https://www.vinamilk.com.vn/vi/he-thong-quan-tri

Principle 9.2: Every year, the BOD holds an effective Annual General Meeting of Shareholders.

- ▶ The AGMs are held in accordance with the agenda mentioned in the relevant meeting invitation. The Company sends shareholders full information related to the meeting in the meeting invitation and its attached documents. The Company also posted information related to the meeting on the websites of HOSE and Vinamilk so that shareholders have sufficient time to thoroughly study the information. In addition, at least ten days before the meeting date, the notice of the meeting and the full package of meeting documents shall be made public on Vinamilk's website in order to give shareholders sufficient time to prepare for the meeting as required by relevant laws and regulations.
- ▶ The Chairwoman, Heads of the Audit Committee, the Remuneration Committee, the Strategy Committee and the Nomination Committee, together with members of the BOD are usually present and ready to answer shareholders' questions at these meetings. The Company's independent auditor, KPMG Vietnam Co., Ltd., is also present to address shareholders' requests regarding the conduct of the audit and the preparation and content of the auditor's report. During the meetings, the Chairwoman allows shareholders, equally, to ask questions, express opinions and make recommendations.
- ▶ In the 2019 AGM, the Company invited representatives of the Internal Audit Department and the Control and Risk Management Department to join the Vote-counting Committee and invited a representative of shareholders to witness the vote-counting as an independent supervisor.
- ▶ The Chairwoman and the BOM also answer questions and provide sufficient information at the request of shareholders. Minutes of the meeting must be recorded accurately, fully and timely in accordance with the laws, published together with the AGM Resolution to HOSE and SSC and posted on Vinamilk's website within 24 hours after the meeting.
- ▶ The 2019 AGM was held on April 19, 2019. All documents related to the meetings not only in 2019 but also of previous years are kept on Vinamilk's website in both Vietnamese and English to enable shareholders to access at any time at:i:

 https://www.vinamilk.com.vn/vi/dai-hoi-dong-co-dong

Principle 9.3: Implementing a fair and consistent dividend policy.

Vinamilk's dividend policy is approved by the AGM based on the Company's business results of the year. And normally, Vinamilk shall pay dividends to shareholders in 3 (three) installments.

- ▶ The AGM approved cash dividend payment for 2019 of at least 50% of consolidated net profit after tax, in which:
 - The first advance payment of 2019: VND 2,000/share, made in September 2019.
 - The second advance payment of 2019: VND 1,000/share, made in February 2020.
 - Payment of remaining dividends of 2019: To be decided by the 2020 AGM.

Dividends of 2018: Total dividends of 2018 approved by the 2018 AGM were VND 7,256 billion, equivalent to 71% of the Company's consolidated net profit after tax.

Dividends of 2019: The Company has paid dividends to shareholders in accordance with the abovementioned resolution with a total amount of VND 5,224 billion, equivalent to 49% of consolidated net profit after tax. Particularly, the remaining dividends of 2019 will be submitted to the 2020 AGM for resolution.

Principle 9.4: Related-party transactions should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interests of the Company and its shareholders.

- ▶ The Company has developed a risk management and conflict of interest management policy. Accordingly, all management levels must declare information for the purpose of controlling transactions to avoid conflicts of interests of insiders and related parties.
- ▶ In the financial year ended December 31, 2019, business transactions between Vinamilk and insiders and related parties are presented on page 196 of the attached financial statements.
- ▶ Stock trading transactions of the Company's insiders and insiders' related parties are announced as
 - Stock trading transactions by insiders:

	Insiders	Position at Vinamilk	Ownership at the beginning of the year Ownership at the end of the year			Expla- nation	
		V II CIIIII	Number of shares	%	Number of shares	%	Sold
1	Mai Kieu Lien	BOD member, CEO	4,933,704	0.28%	4,933,704	0.28%	
2	Le Thanh Liem	BOD member, Executive Director	358,461	0.02%	358,461	0.02%	
3	Mai Hoai Anh	Executive Director	427,093	0.02%	427,093	0.02%	
4	Trinh Quoc Dung	Executive Director	251,625	0.01%	201,625	0.01%	(50,000)
5	Nguyen Thi Thanh Hoa	Executive Director	903,487	0.05%	903,487	0.05%	
6	Bui Thi Huong	Executive Director	71,814	0.00%	71,814	0.00%	
7	Nguyen Quoc Khanh	Executive Director	24,796	0.00%	24,796	0.00%	
8	Phan Minh Tiên	Executive Director	96,430	0.01%	96,430	0.01%	
9	Tran Minh Van	Executive Director	739,364	0.04%	739,364	0.04%	

Stock trading transactions by related parties:

P	Relationship			nip at the of the year	Ownership of the	Expla-	
·	Similar Parties	with insiders	Number of shares	%	Number of shares	%	nation
1	State Capital Investment Corporation	Nguyen Chi Thanh, Dang Thi Thu Ha and Le Thanh Liem	627,063,835	36.00%	627,063,835	36.00%	-
2	F&N Dairy Investments Pte Ltd	Michael Chye Hin Fah and Lee Meng Tat	301,496,383	17.31%	301,496,383	17.31%	-
3	F&Nbev Man- ufacturing Pte. Ltd.	Michael Chye Hin Fah and Lee Meng Tat	47,026,980	2.70%	47,026,980	2.70%	-
4	Platinum Vic- tory Pte. Ltd.	Alain Xavier Cany	184,880,461	10.62%	184,880,461	10.62%	-
5	Mai Quang Liem	Mai Kieu Lien's younger broth- er	30,079	0.00%	30,079	0.00%	-
6	Nguyen Minh An	Nguyen Thi Thanh Hoa's younger brother	209,768	0.01%	209,768	0.01%	-
7	Duong Thi Ngoc Trinh	Mai Hoai Anh's mother	229,980	0.01%	229,980	0.01%	-

E. STAKEHOLDER RELATIONS

PRINCIPLE 10: BUILDING EFFECTIVE STAKEHOLDER ENGAGEMENT

The BOD commits to reviewing and respecting the interests of all stakeholders who are affected by the Company's activities.

- Vinamilk has been well applying the Company's Code of Conduct to stakeholders. This Code of Conduct is published on the Company's website at: https://www.vinamilk.com.vn/vi/he-thongquan-tri
- In addition, the Company has also issued the policy on the management of relatedparty transactions. And during the year, no transactions having conflicts of interest with the Company was detected. The anticorruption and anti-bribery policies are also strictly enforced by the Company.



5.2 RISK MANAGEMENT REPORT

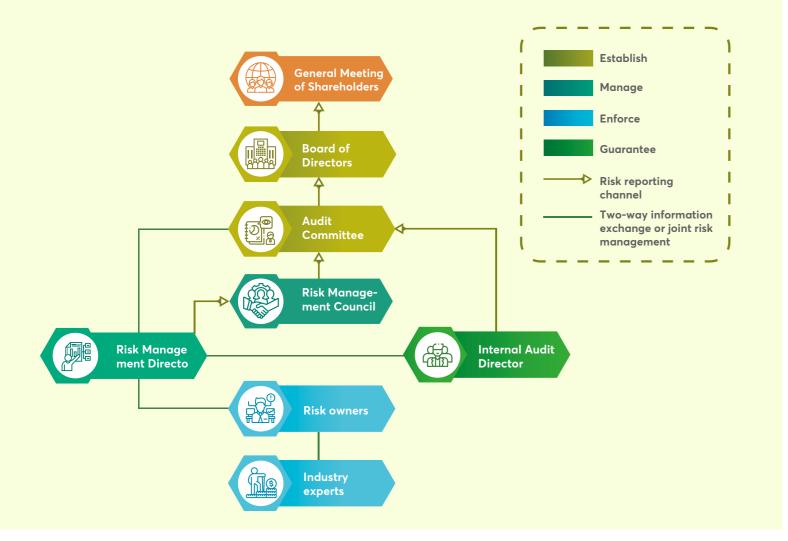
2019 was a year of constant fluctuations involving political volatility, economic volatility and climate change that created increasingly intense impacts on not only the economy and businesses but also the life of each individual. As the future unfolds, the interactive cohesion between businesses and the community becomes clearer, and the linkage between a company's management of risks and opportunities and its business goals and operations gets closer. In line with that trend, throughout 2019, Vinamilk's risk management activities have been changed in many ways to bring more of the cohesion and especially the initial integration of risk management and sustainable development governance.

Risk management activities in 2019

Outstanding changes:

- Change in personnel structure and the expert/specialist team
- Change in process, procedure and reporting systems
- Change in risk portfolio and risk assessment parameters

THE CURRENT RISK MANAGEMENT STRUCTURE OF VINAMILK



Implementation activities were regularly maintained to control the Company's risks following the process of risk identification - risk assessment - risk monitoring and reporting.



Management of key risks

In 2019, Vinamilk managed 11 key risks with the main control measures as follows:

No	Name of risk	Risk description	Controls			
STRA	STRATEGIC RISKS					
1	Competition Risk	The reduction or loss in the Company's competitive advantages compared to its competitors.	Timely identify and analyze changes in the context and market to respond appropriately by developing and executing programs and projects to maintain and enhance competitive advantages and market share.			
2	Global economic and political risk	Failure to quickly adapt to economic, political or social changes that lead to negative impacts on the Company in markets where it has invested in or exported to.	Regularly and constantly update changes in the economic and political environment and assess their impacts on the Company in order to make timely action plans.			
3	Social media risk	Lack of timely and proper handling of unfavorable information distributed on the mass media.	Track and promptly report negative media coverage for timely alerts and action plans, especially in the current context of Industry 4.0.			

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No	Name of risk	Risk description	Controls				
STRATEGIC RISKS							
4	Succession risk	A vacancy in key positions as the right candidate cannot be found promptly.	Maintain the implementation of personnel programs for key positions, conduct assessments and make appropriate and timely alternatives.				
5	Loss of key customers	Losing relationships with key customers in both domestic and export markets	Manage customer relationships, reg- ularly evaluate sales and have ap- propriate policies for key customers.				
OPER	ATIONAL RISKS						
6	Input materials supply risk	The insufficient and/or untimely supply of input materials for the production process	Maintain secure inventory management, perform supplier assessment and management, and make reasonable purchase planning in consideration of environmental fluctuations, especially climate change.				
7	Product contamination risk	Products that do not meet the quality standards (especially food safety and hygiene) according to the standards and requirements that Vinamilk commits to comply with, including laws, agreements signed with customers and related parties, and internal requirements.	Set up and regularly check the controls as required standards. Set up separate evaluation standards for the control system throughout the supply chain to ensure efficiency and optimization. An alert system is set up to promptly identify events and to address them.				
8	Cow disease risk	Unexpected diseases on cows that lead to cow death or reduce milk quality.	Apply biological safety for the farms and health care for the cattle, apply appropriate medical treatment for cases arising.				
9	Business plan execution risk Failure to execute business plans.		Business plans are implemented, monitored, evaluated and reported in accordance with the processes.				
10	Information security risk	IT system interruption, data breach and cyber attack.	Maintain the ISO 27000 information security system and computer and user protection systems. Regularly perform internal and external information security evaluation for the whole system.				
FINANCIAL RISKS							
11	Foreign exchange risk	Currency exchange rate volatility has substantial influences on companies' operations and profitability.	Estimate foreign currency needs, prepare reserves, forecast, monitor and analyze exchange rate fluctuations to balance needs and adjust				

Key risks were all addressed by implementing control measures to ensure the achievement of the Company's financial and operational goals in 2019. In terms of operations, Vinamilk also established a risk portfolio under the Sustainable Development Program, from which specific goals and indicators were included: The risk portfolio under Sustainable Development Program:

No.	Group	Risk				
1	C	Consumer awareness risk				
2	Strategic risks	Succession risk				
3	Operational risks	Product contamination risk				
4		Fire risk				
5		Disaster risk				
6		Climate change risk				
7		Cow disease risk				
8		Health and occupational safety risk				
9		Risk of quality personnel recruitment and retention				
10		Strike risk				
11		Fraud risk				
12		Corruption risk				
13	Financial risks	Tax risk				
14	Camplianas viels	Risk of compliance with legal regulations				
15	Compliance risks	Risk of environmental responsibility				

RISK MANAGEMENT IN 2020

In 2020, risk management activities are going to focus mainly on integration to increase the effectiveness of the risk management system through the main activities as follows:



plans accordingly.



SUSTAINABLE DEVELOPMENT

1. VINAMILK'S SUSTAINABLE DEVELOPMENT STRATEGY 2017 - 2020

- Improve the management and implementation structure of sustainable development
- Comprehensively assess the current situation of sustainable development across the Company
- Join professional organizations and awareness training
- (iv) Promote deeper integration of the sustainable development content into production and business activities.
- Develop a roadmap to ensure compliance with GRI G4 quidelines for reports closely related to key areas and achievements in each period

2. KEY AREAS AT VINAMILK

Area	Sustainable development target	Key area	Link to SDGs
	Efficiency of economy	Sustainable growth	1 NO 9 MODERN MO
		Values for shareholders and investors	İvê İvî
		Values for government	2 ZERO HUNGER LISTINGE NATIONAL MATERIALS AND STRONG INSTITUTIONS
_		Salary and benefits for employees	8 DECENT MORK AND 17 PARTMESSAP'S CONTINUE PROMISE CONTIN
Economy		Investing in social activities	11
	Indirectly effects on	Trading values for suppliers	
	economy	Creating sustainable jobs	
		Developing local economy	
		Salary, bonus and benefits	3 GOOD HEALTH 8 DECENT WORK AND ECONOMIC GROWTH
		Commitment and loyalty	- ₩ •
	Labor and	Occupational safety and health	4 EDUCATION 10 NEQUALITIES
	employment	Training and development	5 CENCER EQUALITY
		Diversity, equality and open communication	©
Society		Labor relationship	
		Product safety and quality	2 ZERO 12 RESPONSIBLE CONSCIONET EN AND PROJECTION
resp	Product	Transparent label information	
	responsibility	Media and marketing responsibility	3 GOOD HEALTH AND MELI-BIENG
		Customer satisfaction	'
	Material	Sustainable sources of material and circular economy	6 CLEAN MATER AND SANITATION AND PRODUCTED AND PRODUCTED
	Wastes and wasted water	Control of wastes and wasted water and circular economy	7 APPENDAR AND 13 ACTION
Mater Waste water Enege Environment Land	Engany	Efficient use of energy	
Environment	Enegery	Modern 4.0 technology and green energy	8 ECCHOWE SHOWIN
LIIVIIOIIIIIeiit	Land	Sustainable control of land	Q MUSTRI IMMUTAN 15 LIFE
	Water Responsible, efficient and circular use of water		J AND HYLLESTRICTURE I I I I I I I I I I I I I I I I I I I
		Reducing emission of CO2	11 SUSTAINABLE CITIES AND COMMUNITIES
	Emission	Against the global climate change	ABE
	Animals care	Animals care for cows	2 HINDER 9 HOLDER HOUSELINE
Industry	Health and nutrients	Sufficient and quality sources of nutrients	3 GOOD MEALTH 12 RESPONSING CONSUMPTION
Industry standard	riculti and natheness	Green, fresh and organic products	-₩ ÷ 🛇
	Diversifying products		

3. VINAMILK'S SUSTAINABLE DEVELOPMENT ACTIVITIES IN 2019 IN LINE WITH 17 UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



- Jobs for more 9,803 employees
- · Developing local economy



- Over 200 SKUs in Vinamilk's portfolio are covered in all 63/63 provinces
- · More than 35 million glasses of milk worth VND 150 billion to nearly 441,000 needy children



- The best place to work in Vietnam in 2019 (ranked No. 1) (Nielsen & Anphabe)
- >50% product portfolio are food supple-
- · Providing milk for school milk programs in 21 provinces and cities nationwide.
- Holding 29 nutrition training sessions



- 560 training courses with a participation of 28.024 attendees
- · Providing local vocational training and apprenticeship in dairy farming



- No aender discrimination
- · Female employees accounting for 40% of senior executives
- · Additional welfare regimes and policies for female employees



- Fully treating 100% of hazardous waste
- · Water consumption at the permitted capacity by 100% of member units

Affordable and Clean Energy • Rate of renewable energy/fuel: 94.01%

- Solar energy at Dalat Organic Farm

Decent Work and Economic Growth

- High-income jobs for over 9,803 employees
- Exporting to 53 countries and areas
- Safety occupational management followed ISO 45001
- The most valuable brand value in Vietnam (Forbes Vietnam) – VND 2.2 billion
- The only Vietnamese company being in the Top 50 of Asia300 – The most excellent listed companies in Asia





Industry, Innovation and Infrastructure

- · Implementing 56 initiatives on energy savings and sustainable development
- 100% of infrastructure reviewed to look for new investment opportunities

Reduced Inequality

- No complaints about inequality
- No complaints about discrimination
- · No forced labor, no child labor

Sustainable Cities and Communities

- 100% of output wastewater treated up to standard
- 100% waste disposal service providers properly licensed

Responsible Consumption and Production

- The factory system certified to FSSC 22000, ISO 14001, ISO 50001, ISO 45001 and Organic standards
- The farm system certified to Global G.A.P and Organic EU standards
- Fulfilling social responsibility according to SMETA Sedex 4 Pillars
- · Transparency of information to stakeholders
- Good customer services
- · Top 10 Sustainable Companies in Manufacturing



Climate Action

- · Implementing 26 initiatives on energy savings and sustainable development
- Application of renewable energy and circular economy



Life Below Water

100% of wastewater properly treated



• The farm system certified to Global GAP

- 3 Organic EU-certified farms
- "A Million Trees for Vietnam" Fund: Over 851,000 trees of all kinds planted with a total value of VND 11 billion at 38 locations in 17 provinces and cities



Peace, Justice and Strong Institutions

- · Giving comments and feedbacks to the elaboration and amendment of legal documents
- · Supporting and accompanying the government towards the goals of sustainable development



Partnerships for the Goals

- · Promoting and establishing the mechanism for the Vietnam's dairy industry to export to China
- · Sustainable companion with suppliers, partners and farming households
- Cooperating with MARD to build safe dairy farming areas

Vinamilk.com.vn

Vinamilk.com.vn



VII. **SUSTAINABLE DEVELOPMENT**

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7.2 Consolidated financial statement (IFRS 198

CONSOLIDATED FINANCIAL STATEMENTS (VAS)

Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated financial statements for the year ended 31 December 2019

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Corporate Information

Business Registration Certificate No.

4103001932 0300588569 20 November 2003 12 October 2018

The Company's business registration certificate has been amended several times, the most recent of which is by the Business Registration Certificate No. 0300588569 dated 12 October 2018. The business registration certification and its updates were issued by Ho Chi Minh City Planning and Investment Department.

Board of Directors

Mdm. Le Thi Bang Tam Chairwoman Mdm. Mai Kieu Lien Member Mr. Lee Meng Tat Member Ms. Dang Thi Thu Ha Member Mr. Le Thanh Liem Member Mr. Michael Chye Hin Fah Member Mr. Nguyen Ba Duong Member Mr. Do Le Hung Member

Mr. Nguyen Chi Thanh Member (until 15 August 2019)

Mr. Alain Xavier Cany Member

Board of Management

Mdm. Mai Kieu Lien Ms. Bui Thi Huong

Executive Director - Human Resource -Administration and Public Relation

Chief Executive Officer

Executive Director - International Sales Mr. Mai Hoai Anh Executive Director - Finance Mr. Le Thanh Liem

Mr. Phan Minh Tien Executive Director - Marketing Ms. Nguyen Thi Thanh Hoa Executive Director - Supply chain Mr. Tran Minh Van Executive Director - Production

Mr. Nguyen Quoc Khanh Executive Director - Research and Development Executive Director - Raw Materials Development Mr. Trinh Quoc Dung

Registered Office

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

Vietnam

Auditor

KPMG Limited Vietnam

Vietnam Dairy Products Joint Stock Company and its subsidiaries Statement of the Board of Management

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN RESPECT OF THE CONSOLIDATED **FINANCIAL STATEMENTS**

The Board of Management 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 2019 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 Management 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 Management 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 comply with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. The Board of Management is also responsible for safequarding 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 140 to 197 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 Management

Mai Kieu Lien Chief Executive Officer



Ho Chi Minh City, 28 February 2020

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INDEPENDENT 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 statement of financial position as at 31 December 2019, 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 Management on 28 February 2020, as set out on pages 140 to 197.

Management's Responsibility

The Company's Board of Management is responsible for the preparation and fair presentation of these consolidated 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 Management determines is necessary to enable the preparation of the 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 financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Management, as well as evaluating the overall presentation of the financial statements.

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

Auditor's 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 2019 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.: 18-01-00231-20-11



Chang Hung Chun

Practicing Auditor Registration Certificate No. 0863-2018-007-1 Deputy General Director Nguyen Thanh Nghi

Practicing Auditor Registration Certificate No. 0304-2018-007-1

Ho Chi Minh City, 28 February 2020

Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of financial position as at 31 December 2019

> Form B 01 - DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

31/12/2019 VND 1/1/2019 VND **ASSETS Current assets** 100 24,721,565,376,552 20,559,756,794,837 (100 = 110 + 120 + 130 + 140 + 150)110 V.2 2,665,194,638,452 1,522,610,167,671 Cash and cash equivalents 111 2,378,583,764,655 1,072,610,167,671 Cash Cash equivalents 112 286,610,873,797 450,000,000,000 **Short-term financial investments** 120 12,435,744,328,964 8,673,926,951,890 Trading securities 121 V.5(a) 1,153,041,048 443,154,262,451 Allowance for diminution in the V.5(a) value of trading securities 122 (840,586,787) (605,728,258) Held-to-maturity investments 123 V.5(b) 12,435,431,874,703 8,231,378,417,697 Accounts receivable – short-term 130 4,503,154,728,959 4,639,447,900,101 Accounts receivable from customers 131 V.3(a) 3,474,498,518,959 3,380,017,354,930 132 Prepayments to suppliers 576,013,061,394 876,158,254,325 Short-term loans receivable 135 31,170,336,327 Other short-term receivables 136 V.4(a) 438,267,517,904 394,535,471,938 Allowance for doubtful debts 137 V.3(c) (11,263,181,092) (16,794,705,625) **Inventories** 140 V.6 4,983,044,403,917 5.525.845.959.354 4,996,114,799,978 Inventories 141 5,538,304,348,980 Allowance for inventories 149 (13,070,396,061) (12,458,389,626) Other current assets 150 134,427,276,260 197,925,815,821 Short-term prepaid expenses 151 V.12(a) 68,634,341,838 54,821,120,257 Deductible value added tax 60,875,991,566 142,642,380,500 152 Taxes receivable from State Treasury 153 4,916,942,856 462,315,064

Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of financial position as at 31 December 2019 (continued)

> Form B 01 - DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2019 VND	1/1/2019 VND
Long-term assets	200		19,978,308,009,482	16,806,351,859,342
(200 = 210 + 220 + 230 + 240 + 250 +260)				
Accounts receivable – long-term	210		21,169,968,995	88,443,241,642
Long-term receivables from customer	211	V.3(b)	-	67,658,410,631
Long-term loan receivables	215		545,312,000	3,143,509,548
Other long-term receivables	216	V.4(b)	20,624,656,995	17,641,321,463
Fixed assets	220		14,893,540,216,703	13,365,353,599,098
Tangible fixed assets	221	V.7	13,743,909,618,601	13,047,771,431,436
Cost	222		26,227,436,154,249	22,952,360,450,312
Accumulated depreciation	223		(12,483,526,535,648)	(9,904,589,018,876)
Intangible fixed assets	227	V.8	1,149,630,598,102	317,582,167,662
Cost	228		1,297,664,982,735	475,569,436,392
Accumulated depreciation	229		(148,034,384,633)	(157,987,268,730)
Investment property	230	V.9	62,018,116,736	90,248,200,759
Cost	231		81,481,271,444	147,320,450,623
Accumulated depreciation	232		(19,463,154,708)	(57,072,249,864)
Long-term work in progress	240		943,845,551,903	868,245,878,253
Long-term work in progress	241	V.10	249,633,893,396	214,398,200,249
Construction in progress	242	V.11	694,211,658,507	653,847,678,004
Long-term financial investments	250		986,676,290,429	1,068,660,695,119
Investments in associates	252	V.5(c)	688,112,587,059	497,498,739,617
Equity investments in other entities	253	V.5(c)	104,537,010,212	72,083,527,154
Allowance for diminution in the value	254	V.5(c)	(5,973,306,842)	(921,571,652)
of long-term financial investments				
Held-to-maturity investments	255	V.5(b)	200,000,000,000	500,000,000,000
Other non-current assets	260		3,071,057,864,716	1,325,400,244,471
Long-term prepaid expenses	261	V.12(b)	678,630,479,869	750,599,476,304
Deferred tax assets	262	V.13(a)	26,367,280,852	36,460,665,848
Goodwill	269	V.14	2,366,060,103,995	538,340,102,319
TOTAL ASSETS (270 = 100 + 200)	270	-	44,699,873,386,034	37,366,108,654,179

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Consolidated statement of financial position as at 31 December 2019 (continued)

Form B 01 – DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2019 VND	1/1/2019 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		14,968,618,181,670	11,094,739,362,252
Current liabilities	310		14,442,851,833,360	10,639,592,009,462
Short-term accounts payable to suppliers	311	V.15	3,648,445,576,699	3,991,064,706,111
Advances from customers	312		245,247,666,160	535,552,943,437
Taxes payable to State Treasury	313	V.17	619,393,665,850	341,669,047,623
Payables to employees	314		239,520,745,753	215,270,553,609
Short-term accrued expenses	315	V.18	1,738,321,908,844	1,437,232,532,734
Short-term unearned revenue	318		2,111,168,658	6,910,881,322
Other short-term payables	319	V.19	1,956,364,398,828	2,540,327,951,932
Short-term borrowings	320	V.16(a)	5,351,461,260,191	1,060,047,652,329
Provision – short-term	321	V.20	8,048,885,766	4,502,303,315
Bonus and welfare fund	322	V.21	633,936,556,611	507,013,437,050
Long-term liabilities	330		525,766,348,310	455,147,352,790
Long-term accounts payable to suppliers	331		427,916,520	-
Long-term accrued expenses	333		-	2,054,753,617
Long-term unearned revenue	336		-	415,848,218
Other long-term payables	337		27,418,573,520	29,607,431,175
Long-term borrowings	338	V.16(b)	122,992,982,893	215,798,919,361
Deferred tax liabilities	341	V.13(b)	374,926,875,377	204,757,714,031
Provision – long-term	342	V.20	-	2,512,686,388
EQUITY (400 = 410)	400		29,731,255,204,364	26,271,369,291,927
Owners' equity	410	V.22	29,731,255,204,364	26,271,369,291,927
Share capital	411	V.23	17,416,877,930,000	17,416,877,930,000
Treasury shares	415	V.23	(11,644,956,120)	(10,485,707,360)
Foreign exchange differences	417		23,174,494,894	27,635,831,784
Investment and development fund	418		2,200,188,373,195	1,191,672,373,593
Retained profits	421		7,875,462,401,924	7,155,434,314,256
- Retained profits brought forward	421a		4,543,346,786,755	3,560,050,505,957
- Profit for the current year	421b		3,332,115,615,169	3,595,383,808,299
Non-controlling interest	429		2,227,196,960,471	490,234,549,654
TOTAL RESOURCES (440 = 300 + 400)	440		44,699,873,386,034	37,366,108,654,179

28 February 2020

Prepared by:

Le Thanh Liem



Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of income for the year ended 31 December 2019

> Form B 02 – DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2019 VND	2018 VND
Revenue from sales of goods and provision of services	01	VI.1	56,400,229,726,717	52,629,230,427,284
Revenue deductions	02	VI.1	82,106,963,973	67,280,456,692
Net revenue (10 = 01 - 02)	10	VI.1	56,318,122,762,744	52,561,949,970,592
Cost of sales	11	VI.2	29,745,906,112,117	27,950,543,501,501
Gross profit (20 = 10 - 11)	20		26,572,216,650,627	24,611,406,469,091
Financial income	21	VI.3	807,316,707,483	759,917,391,001
Financial expenses	22	VI.4	186,969,681,828	118,007,001,674
In which: Interest expense	23		108,824,893,987	51,367,418,852
Share of (loss)/profit in associates	24	V.5(c)	(5,716,591,103)	22,433,720,557
Selling expenses	25	VI.5	12,993,454,552,852	12,265,936,906,433
General and administration expenses	26	VI.6	1,396,302,416,955	1,133,300,231,790
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		12,797,090,115,372	11,876,513,440,752
	21	\/ 7	240 447 250 170	450.247.220.000
Other income	31	VI.7	249,446,259,179	450,247,329,980
Other expenses	32	VI.8	250,826,735,994	275,064,504,609
Results of other activities (40 = 31 - 32)	40		(1,380,476,815)	175,182,825,371
Profit before tax (50 = 30 + 40)	50		12,795,709,638,557	12,051,696,266,123
Income tax expense – current	51	VI.10	2,238,365,796,113	1,874,905,225,483
Income tax expense/(benefit) – deferred	52	VI.10	3,011,961,553	(28,838,670,599)
Net profit after tax (60 = 50 - 51 - 52) (carried forward to next page)	60		10,554,331,880,891	10,205,629,711,239

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of income for the year ended 31 December 2019 (continued)

Form B 02 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2019 VND	2018 VND
Net profit after tax (60 = 50 - 51 - 52) (brought forward from previous page)	60		10,554,331,880,891	10,205,629,711,239
Attributable to:				
Equity holders of the Company	61		10,581,175,671,989	10,227,281,151,464
Non-controlling interest	62		(26,843,791,098)	(21,651,440,225)
Basic earnings per share	70	VI.11	5,478	5,295

28 February 2020

Prepared by:

Le Thanh Liem Executive Director – Finance cum Chief Accountant

Approved by:



Mai Kieu Lien Chief Executive Officer

Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of cash flows for the year ended 31 December 2019 (Indirect method)

Form B 03 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2019 VND	2018 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		12,795,709,638,557	12,051,696,266,123
Adjustments for				
Depreciation and amortisation	02		1,948,072,775,534	1,626,632,382,351
Allocation of goodwill	02	V.14	67,951,918,380	56,921,527,942
Allowances and provisions	03		7,332,833,362	(91,866,480,156)
Exchange losses/(gains) arising				
from revaluation of monetary items				
denominated in foreign currencies	04		6,458,209,059	(1,358,149,087)
(Gains)/losses from disposals of				
investments	05		(1,513,217,385)	1,982,981,082
Losses on disposals of fixed assets and	05		42.06.4.070.220	70.047.516.006
construction in progress Dividends, interest income and other	U5		43,964,070,239	70,047,516,026
investment activities	05		(726,647,904,760)	(683,136,419,878)
Share of loss/(profit) in associates	05		5,716,591,103	(22,433,720,557)
Interest expense	06	VI.4	108,824,893,987	51,367,418,852
Operating profit before changes in				
working capital	08		14,255,869,808,076	13,059,853,322,698
Change in receivables	09		373,595,051,949	(108,535,667,272)
Change in inventories	10		401,995,429,191	(1,685,436,671,924)
Change in payables and other liabilities	11		(399,803,073,537)	(14,512,675,616)
Change in prepaid expenses	12		16,409,131,564	68,658,670,747
Change in trading securities	13		(4,480,040,000)	-
Interest paid	14		(227,916,555,489)	(110,740,338,598)
Income tax paid	15	V.17	(2,033,592,165,968)	(1,879,580,376,609)
Other payments for operating activities	17		(972,149,044,096)	(1,189,467,230,777)
Net cash flows from operating activities	20	-	11,409,928,541,690	8,140,239,032,649

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of cash flows for the year ended 31 December 2019 (Indirect method - continued)

> Form B 03 - DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2019 VND	2018 VND
CACH ELOWC EDOM INVESTING ACTIVITIES				
CASH FLOWS FROM INVESTING ACTIVITIES Payments for additions to fixed assets and				
other long-term assets	21		(2,158,249,206,676)	(3,185,795,437,639)
Collections on disposals of fixed assets and	21		(2,130,247,200,070)	(3,103,173,431,037)
other long-term assets	22		114,089,987,662	94,475,512,924
(Payments for)/collections from term				
deposits	23		(3,215,379,727,631)	1,199,161,995,594
Receipts from collecting loans	24		2,598,197,548	2,230,048,674
Receipts from sales of debt instruments of				
other entities	24		-	190,785,778,116
Payments for investments in other entities	25		-	(12,250,000,000)
Collections from investments in other				
entities	26		1,513,217,385	18,467,703,509
Receipts of interest and dividends	27		665,791,014,375	782,637,018,033
Net cash outflow from business acquisition	28	V.1	(2,158,238,334,831)	(134,857,255,395)
Net cash flows from investing activities	30		(6,747,874,852,168)	(1,045,144,636,184)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for repurchase of treasury shares	32		(1,159,248,760)	(3,325,885,560)
Proceeds from capital contribution from				
non-controlling interests	32		127,768,725,000	-
Proceeds from borrowings	33		10,426,775,268,658	4,827,980,040,068
Payments to settle loan principals	34		(6,233,112,646,051)	(4,103,588,818,554)
Payments of dividends	36		(7,836,250,770,500)	(7,256,172,407,500)
Net cash flows from financing activities	40		(3,515,978,671,653)	(6,535,107,071,546)

Vietnam Dairy Products Joint Stock Company and its subsidiaries Consolidated statement of cash flows for the year ended 31 December 2019 (Indirect method – continued)

> Form B 03 - DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2019 VND	2018 ND
Net cash flows during the year (50 = 20 + 30 + 40)	50		1,146,075,017,869	559,987,324,919
Cash and cash equivalents at the begin- ning of the year	60		1,522,610,167,671	963,335,914,164
Effect of exchange rate fluctuations on cash and cash equivalents	61		(1,895,678,528)	(1,230,025,973)
Currency translation differences	62		(1,594,868,560)	516,954,561
Cash and cash equivalents at the end of the year $(70 = 50 + 60 + 61 + 62)$	70	V.2	2,665,194,638,452	1,522,610,167,671

28 February 2020

Prepared by:

Le Thanh Liem Executive Director – Finance cum Chief Accountant

Approved by:

CÔNG TY CO PHAN

Mai Kieu Lien Chief Executive Officer

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019

> Form B 09 - DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

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

I. CORPORATE INFORMATION

1. Ownership structure

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

Major milestones related to the establishment and development of the Company and its subsidiaries (collectively referred to as "the Group") are achieved as follows:

▶ 29 April 1993:	Vietnam Dairy Products Company was established according to Decision No. 420/CNN/TCLD issued by the Ministry of Light Industry in form of a State-owned Enterprise.
▶ 1 October 2003:	The Company was equitised from a State-owned Enterprise of the Ministry of Industry according to Decision No. 155/2003/QĐ-BCN.
▶ 20 November 2003:	The Company was registered as a joint stock company and began operating under Enterprise Laws of Vietnam and its Business Registration Certificate No. 4103001932 was issued by Ho Chi Minh City Planning and Investment Department.
▶ 28 December 2005:	The State Securities Commission of Vietnam issued Listed Licence No. 42/UBCK-GPNY.
▶ 19 January 2006:	The Company's shares were listed on Ho Chi Minh City Stock Exchange.
▶ 12 December 2006:	International Real Estates One Member Limited Company was established in accordance with the Business License No. 4104000260 issued by the Department of Investment and Planning of Ho Chi Minh City.
▶ 14 December 2006:	Vietnam Dairy Cow One Member Limited Company was established in accordance with the Business License No. 150400003 issued by the Department of Planning and Investment of Tuyen Quang Province.
▶ 26 February 2007:	Lam Son Dairy Joint Stock Company was established in accordance with the Business License No. 2603000521 issued by the Department of Planning and Investment of Thanh Hoa Province.
▶ 24 June 2010:	Lam Son Dairy Joint Stock Company was renamed as Lam Son Dairy One Member Company Limited.
▶ 30 September 2010:	Dielac Dairy One Member Company Limited was established based on the re-registration of F&N Food Vietnam Limited Company in accordance with the Investment Certificate No.

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

> Form B 09 - DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

18 September 2012:	The Company issued the Decision No. 2482/QD-CTS.KSNB/2012 on the liquidation of the
	Dielac Dairy One Member Limited Company to establish a dependent branch of Vietnam
	Dairy Products Joint Stock Company. On 25 September 2012, the Management of Vietnam
	– Singapore Industrial Park issued the Decision No. 37/QD-BQL on the termination of
	operating activities of Dielac Dairy One Member Limited Company. In July 2013, Dielac
	Dairy One Member Limited Company had finalised its process of liquidation.

- ▶ 21 October 2013: Thong Nhat Thanh Hoa Dairy Cow Limited Company was established in accordance to Business Registration Certificate No. 2801971744 issued by the Department of Investment and Planning of Thanh Hoa Province.
- ▶ 6 December 2013: The Company received Foreign Investment Certificate No. 663/BKHÐT-ÐTRNN issued by the Ministry of Investment and Planning, investing in Driftwood Dairy Holding Corporation in California, the United States of America. As at 31 December 2013, the Company completed a transfer of its investment of USD7 million and held 70% of ownership in Driftwood Dairy Holding Corporation.
 - The Company received Foreign Investment Certificate No. 667/BKHĐT-ĐTRNN issued by the Ministry of Investment and Planning, investing in Angkor Dairy Products Co., Ltd. in Phnom Penh, Cambodia with 51% of ownership.
- ▶ 24 February 2014: The Company's Board of Management issued the resolution to liquidate International Real Estate One Member Limited Company. On 14 January 2015, the Department of Planning and Investment of Ho Chi Minh City issued Notice No. 14191/15 to liquidate International Real Estate One Member Limited Company.
- ▶ 30 May 2014: The Company received Foreign Investment Certificate No. 709//BKHÐT-ÐTRNN issued by the Ministry of Investment and Planning, to establish Vinamilk Europe sp.z.o.o in Poland with 100% of ownership.
 - The Company received Foreign Investment Certificate No. 201600140 issued by the Ministry of Investment and Planning, approved additional investment in Driftwood Dairy Holding Corporation amounted to USD3 million. As at 30 June 2016, the Company completed a transfer of its investment of USD3 million, bringing the total investment to USD10 million and increased ownership percentage in Driftwood Dairy Holding Corporation from 70%
 - The Company received its 25th revised Business Registration certificate dated 18 January 2017, issued by the Ho Chi Minh Department of Planning and Investment. Accordingly, Lam Son Dairy Products One member Company Limited was merged into the Company (prior to the merger, it was a 100% subsidiary owned by the Company). The Company completed the merger on 1 March 2017.

▶ 6 January 2014:

▶ 19 May 2016:

▶ 19 January 2017:

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of F&N Food Vietnam Limited Company in accordance with the Investment Certificate No. 463041000209 issued by the Management of Vietnam – Singapore Industrial Park.

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Vietnam Dairy Products Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2019

(continued)

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

▶ 31 July 2017:

On 23 March 2017, the Company received its first revised offshore investment registration certificate dated 10 March 2017 issued by the Ministry of Planning and Investment of Vietnam, in relation to Angkor Dairy Products Co., Ltd. ("Angkormilk"). Accordingly, the Company's total investment capital increased from USD10,210,000 to USD20,995,390. The reason of capital increase was to purchase the entire capital contribution of the local partner in Angkormilk. As at 31 July 2017, the Company completed the transfer of its investment, bringing the total investment to USD20.9 million and increased ownership percentage in Angkormilk from 51% to 100%.

▶ 21 October 2017:

On 30 September 2017, the Company entered into an agreement to acquire the remaining 3.89% of its equity interest in Thong Nhat Thanh Hoa Limited Company from non-controlling shareholders. The transaction was completed on 21 October 2017.

▶ 1 November 2017:

On 25 October 2017, the Company entered into an agreement to purchase newly issued shares of Khanh Hoa Sugar Joint Stock Company and took 65% equity interest. The transaction was completed on 1 November 2017. From 14 November 2017, Khanh Hoa Sugar Joint Stock Company changed its name to Viet Nam Sugar Joint Stock Company.

▶ 23 November 2018:

In July 2018, the Company entered into an agreement to acquire 51% equity interest of Lao-Jagro Development Xiengkhouang Co., Ltd to develop a high-tech beef – dairy farm complex. The transaction was completed on 23 November 2018. On 29 January 2019 and 7 October 2019, the Company invested VND51,547 million and VND128,899 million, respectively, representing its percentage of equity interest in this entity following the shareholders' decision. On 1 April 2019, the Company paid VND154,391 million to the former owners according to the Share Purchase Agreement.

▶ 12 September 2019:

On 12 September 2019, the Company received the second revised Oversea Investment Registration Certificate no. 201600140 in which the Company's investment in its 100% owned subsidiary named Driftwood Dairy Holding Corporation in California, United States increased from USD10 million to USD20 million. As at 30 September 2019, the Company completed the transfer of its investment.

▶ 19 December 2019:

In 2019 and until 19 December 2019, the Company completed its acquisitions of 75% of equity interest of GTNFoods Joint Stock Company through various acquisition transactions.

2. Principal activities

The principal activities of the Group 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, own or lease land use rights (according to rule No. 11.3 of 2014 Real Estate Law);
- Trade in warehouse, yards;

Vietnam Dairy Products Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2019

(continued)

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

- Provide internal transportation by cars for manufacturing and consuming Company's products;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee (not manufacturing and processing at the head office);
- Manufacture and sell plastic, packaging (not manufacturing at the head office);
- Provide healthcare clinic services (not at the head office);
- Raise cattle, cultivation;
- Retail sugar, milk and products from milk, bread, jam, candy and products processed from cereal, flour, starch and other food:
- Retail alcoholic drinks, non-alcoholic drinks (carbonated and non-carbonated soft drinks), natural mineral water, lowalcoholic or non-alcoholic wine and beer;
- Manufacture and trade products from tea and wine; and
- Manufacture, breed, process and trade cattle and poultry products and premix products for livestock.

3. Normal operating cycle

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

4. Group structure

As at 31 December 2019, the Group had 10 subsidiaries and 14 associates (1/1/2019: 7 subsidiaries and 3 associates) and dependent units as follows:

(a) Subsidiaries

Name	Name Location Principal activities		Economic	interest	
Name			Frincipal activities	31/12/2019	1/1/2019
Directly	owned subsidi	aries			
Cow (am Dairy One Member ed Company	10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City	Dairy cow raising	100.00%	100.00%
Thank Cow (g Nhat n Hoa Dairy One Member ed Company	Ward 1, Thong Nhat Town, Yen Dinh District, Thanh Hoa Province	Milk production and cattle raising	100.00%	100.00%
	rood Holding oration	No. 10724, Street Lower Azusa and El Monte Boulevards Intersection, California 91731-1390, United States	Milk production	100.00%	100.00%

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

			5	Economic	interest
	Name	Location	Principal activities	31/12/2019	1/1/2019
•	Angkor Dairy Products Co., Ltd.	Lot P2-096 and P2-097, Phnom Penh Special Economic Zone (PPSEZ), National Highway 4, Khan posenchey, Phnom Penh, Kingdom of Cambodia	Milk production	100.00%	100.00%
•	Vinamilk Europe Spóstka Z Ogran- iczona Odpow- iedzialnoscia	UI, Gwiazdzista 7a/401-651 Warszawa, Poland	Dairy raw materials and animal trading	100.00%	100.00%
•	Vietnam Sugar Joint Stock Company	Thuy Xuong Village, Suoi Hiep Commune, Dien Khanh District, Khanh Hoa Province	Sugar producing and refining	65.00%	65.00%
•	Lao-Jagro Development Xiengkhouang Co., Ltd.	Boungvene Village, Paek District, Xiengkhouang Province, Lao PDR	Dairy cow raising and agricultural products trading	51.00%	51.00%
•	GTNFoods Joint Stock Company	9th floor, Vinatea Building, 92 Vo Thi Sau, Thanh Nhan Ward, Hai Ba Trung District, Ha Noi	Manufacturing and trading products from milk, tea and wine	75.00%	-
In	directly owned subsid	iaries through GTNFoods Joint Stock	Company		
•	Vietnam Livestock Corporation – Joint Stock Company	519 Minh Khai, Vinh Tuy Ward, Hai Ba Trung District, Ha Noi	Manufacturing, breeding, processing and trading of cattle and poultry products	55.87%	-
•	Moc Chau Dairy Cattle Breeding Joint Stock Company	Km194 Moc Chau Farm Town, Moc Chau District, Phieng Luong, Moc Chau, Son La	Processing of milk and dairy products	28.49%	-

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

(b) Associates

Maura	Lasation	Principal activities	Economic interest	
Name	Name Location		31/12/2019	1/1/2019
Directly owned associa	ates			
Miraka Holdings Limited	108 Tuwharetoa, Taupo, New Zealand	Milk production	22.81%	22.81%
APIS Corporation	No. 18A, VSIP II-A, 27 Street, Viet Nam – Singapore II-A Industrial Zone, Vinh Tan Ward, Tan Uyen District, Binh Duong Province	Food raw materials trading	20.00%	20.00%
Asia Coconut Processing Joint Stock Company	Giao Long Industrial Zone, Phase II, An Phuoc Commune, Chau Thanh District, Ben Tre Province, Vietnam	Coconut- based products manufacturing and trading	25.00%	25.00%
-	iates through GTNFoods Joint Stock (

(c) Dependent units

Sales branches

- 1. Vietnam Dairy Products Joint Stock Company's Branch in Ha Noi 11th Floor, Tower B, Handi Resco Building, 521 Kim Ma, Ngoc Khanh Ward, Ba Dinh District, Ha Noi City.
- 2. Vietnam Dairy Products Joint Stock Company's Branch in Da Nang 7th Floor, Danang Post Office Tower, 271 Nguyen Van Linh, Vinh Trung Ward, Thanh Khe District, Da Nang City.
- 3. Vietnam Dairy Products Joint Stock Company's Branch in Can Tho 77-77B Vo Van Tan, Tan An Ward, Ninh Kieu District, Can Tho City.

Manufacturing factories

- 1. Thong Nhat Dairy Factory 12 Dang Van Bi, Thu Duc District, Ho Chi Minh City.
- 2. Truong Tho Dairy Factory 32 Dang Van Bi, Thu Duc District, Ho Chi Minh City.
- 3. Dielac Dairy Factory Bien Hoa I Industrial Park, Dong Nai Province.
- 4. Can Tho Dairy Factory Tra Noc Industrial Park, Can Tho City.
- 5. Sai Gon Dairy Factory Tan Thoi Hiep Industrial Park, District 12, Ho Chi Minh City.
- 6. Nghe An Dairy Factory Sao Nam Street, Nghi Thu Commune, Cua Lo Town, Nghe An Province.

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- 7. Binh Dinh Dairy Factory 87 Hoang Van Thu, Quang Trung Ward, Quy Nhon City, Binh Dinh Province.
- 8. Vietnam Beverage Factory My Phuoc II Industrial Park, Binh Duong Province.
- 9. Tien Son Dairy Factory Tien Son Industrial Park, Bac Ninh Province.
- 10. Da Nang Dairy Factory Hoa Khanh Industrial Park, Da Nang City.
- 11. Vietnam Powdered Milk Factory 9 Tu Do Boulevard Vietnam-Singapore Industrial Park, Thuan An District, Binh Duong Province.
- 12. Vietnam Dairy Factory My Phuoc II Industrial Park, Binh Duong Province.
- 13. Lam Son Dairy Factory Le Mon Industrial Zone, Thanh Hoa City, Thanh Hoa Province.

Warehouses

- 1. Ho Chi Minh Logistic Enterprise 32 Dang Van Bi, Thu Duc District, Ho Chi Minh City.
- 2. Hanoi City Logistic Enterprise Km 10 Highway 5, Duong Xa Commune, Gia Lam District, Ha Noi City.

Clinic

1. An Khang General Clinic - 184-186-188 Nauyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City.

Raw milk center

1. Branch of Vietnam Dairy Products Joint Stock Company's - Cu Chi Raw Milk Center - Lot B14-1, B14-2 D4, Dong Nam Industrial Zone, Hoa Phu Commune, Cu Chi District, Ho Chi Minh City.

As at 31 December 2019, the Group had 9,803 employees (1/1/2019: 8,082 employees).

II. ACCOUNTING YEAR AND ACCOUNTING CURRENCY

1. ANNUAL ACCOUNTING YEAR

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

2. 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.

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III. ACCOUNTING STANDARDS AND SYSTEM

1. 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.

2. 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.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies that have been adopted by the Group in the preparation of these consolidated financial statements are consistent with those adopted in the preparation of the latest consolidated annual financial statements.

1. BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are those entities in which the Group has control over the financial and operating policies, generally evidenced by holding more than half of voting rights. In assessing control, exercisable potential voting rights are taken into account. 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.

(b) 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.

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(c) Loss of control

When the Group losses 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.

(d) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally evidenced by holding 20% to 50% of voting rights in these entities. 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.

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.

(e) Transactions eliminated on consolidation

Intra-group balances, transactions 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.

(f) 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.

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2. FOREIGN CURRENCY

(a) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at actual 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 accounting year quoted by the commercial bank where the Company and its subsidiaries most frequently conduct transactions and has the largest outstanding balance of foreign currencies at the reporting date.

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

(b) 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 annual accounting year. Income and expenses of foreign operations are translated to VND at average exchange rates of the year.

Foreign currency differences arising from the translation of foreign operations are recognised in the consolidated statement of financial position under the caption "Foreign exchange differences" in equity.

3. 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.

4. INVESTMENTS

(a) Trading securities

Trading securities are those held by the Group for trading purpose, include those with maturity periods more than 12 months that are 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.

Trading securities shall be recorded when the Group acquires the ownership, in particular:

- Listed securities are recognised at the time of matching (T+0).
- Unlisted securities are recognised at the time the ownership is acquired as prescribed in the Vietnamese laws and regulations.

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.

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(b) 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 and corporate bonds. These investments are stated at costs less allowance for diminution in the value.

Held-to-maturity investments classified as monetary items denominated in foreign currencies are revaluated at actual exchange rate at the reporting date.

(c) Loans receivable

Loans receivable are loans granted under an agreement between parties but not being traded as securities in the market. Allowance for doubtful loans receivable is made for each of the doubtful debt based on overdue days in payment of principals according to initial debt commitment (exclusive of the debt rescheduling between contractors), or based on the estimated possible loss that may arise.

(d) 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 Board of 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.

5. ACCOUNTS RECEIVABLE

Accounts receivable are monitored in detail of receivable terms, receivable parties, original currency and other factors depending on the Group's managerial requirements. Accounts receivable from customers include trade receivables arising from buying-selling transactions. Other receivables include non-trade receivables, not related to buying-selling transactions. Accounts receivable are classified as short-term and long-term in the consolidated statement of financial position based on the remaining period of these receivables at the reporting date.

Trade and other receivables are stated at cost less allowance for doubtful debts. Allowance for doubtful debts is made for each doubtful debt based on overdue days in payment of principals according to initial debt commitment (exclusive of the debts rescheduling between contracting parties), or based on expected loss that may arise.

Trade and other receivables classified as monetary items denominated in foreign currencies are revaluated at actual exchange rate at the reporting date.

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6. INVENTORIES

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

The Group applies the perpetual method of accounting for inventories.

7. TANGIBLE FIXED ASSETS

(a) 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.

(b) 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 5 - 50 years
 Machinery and equipment 2 - 20 years
 Motor vehicles 4 - 10 years
 Office equipment 2 - 12 years
 Livestock 3 - 25 years
 Others 3 - 20 years

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8. INTANGIBLE FIXED ASSETS

(a) 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;
- ▶ 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
- Land lease right acquired through business combination.

Definite life 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 life land use rights are stated at cost and not amortised.

Land lease right acquired through business combination are initially recognised at fair value and amortised on a straight-line basis over the term of the lease

(b) Trademark

Trademark acquired through business combinations are initially recognised at fair value and amortised on a straight-line basis over 20 years.

(c) Raw material area

Raw material area acquired through business combination are initially recognised at fair value and amortised on a straight-line basis over 18 years.

(d) 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 - 8 years.

(e) Others

Other intangible assets are amortised on a straight-line basis over 4 – 10 years.

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9. INVESTMENT PROPERTY

(a) 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.

(b) 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:

Definite life land use rights 13 - 50 years Infrastructure 8 - 10 years Buildings 6 - 50 years

10. CONSTRUCTION IN PROGRESS

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

11. PREPAID EXPENSES

(a) 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. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

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(b) 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 1 – 5 years.

(c) Others

Others are recorded at cost and amortised on a straight-line basis over their economic useful lives of 1 – 3 years.

12. 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.

13. TRADE AND OTHER PAYABLES

Accounts payable are monitored in details by payable terms, payable parties, original currency and other factors depending on the Group's managerial requirements. Accounts payable to suppliers include trade payables arising from transaction of buying-selling transactions and payables for import through entrustees (in import entrustment transactions). Other payables include non-trade payables, not related to buying-selling transactions. Accounts payable are classified as short-term and long-term in the consolidated statement of financial position based on the remaining period of these payables at the reporting date.

Trade and other payables are stated at their cost. Trade and other payables classified as monetary items denominated in foreign currencies are revaluated at actual exchange rate at the reporting date.

14. ACCRUED EXPENSES

Accrued expenses include those made for goods, services received from suppliers in the accounting year but not yet paid due to the lack of receipts or supporting documents, are recognised as manufacturing and operating expense in the reporting year based on the term stated in the respective contracts.

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15. 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 average salary for the six-month period prior to the end of the accounting year. For the purpose of determining the number of years of service by an employee, the period for which the employee 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 Company are excluded.

16. SHARE CAPITAL

(a) Ordinary shares

Ordinary shares are stated at par value. Excess of cash received from share issues over par value is recorded as share premium. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from share premium.

(b) 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 reissued subsequently, the cost of shares reissued are calculated on weighted average basis, any surplus or deficit of proceed over cost is recorded in share premium.

17. 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.

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Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the accounting year, 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 accounting year.

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.

18. REVENUE AND OTHER INCOME

(a) Goods sold

Revenue from the sale of goods is recognised in the consolidated statement of income when 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 possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

(b) 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 end of the accounting year. 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.

(c) 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.

(d) Interest income

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

(e) Dividend income

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

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(f) Income from disposal of short-term and long-term financial investments

Income 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 the trading transaction (for listed securities) or the completion of the agreement on transfer of assets (for non-listed securities).

19. REVENUE DEDUCTIONS

Revenue deductions included sales discounts, sales allowances and sales returns.

In case goods were sold or services were provided during the reporting year but the related sales discounts, sales allowances or sales returns occur in the following year, revenue deductions are recognised in the reporting year only if such payments occur prior to the issuance of the consolidated financial statements.

20. COST OF SALES

Cost of sales comprise the cost of products, goods and services provided during the year and is recognised corresponding to revenue. For cost of direct raw materials consumed which is over the normal level, labour cost and manufacturing overheads not allocated to finished goods are recorded directly into the cost of sales (after deducting compensations, if any) even if products and goods are not yet determined to be consumed.

21. OPERATING LEASE PAYMENTS

Payments made under operating leases are recognised in the consolidated statement of income on a straightline 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.

22. BORROWING COSTS

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

23. 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.

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24. FUNDS

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

Bonus and welfare fund
 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. When the fund is utilised for business expansion, the amount utilised is transferred to share capital.

25. 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 year) 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.

26. 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.

27. 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 enterprises, 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.

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V. SUPPLEMENTARY INFORMATION TO ITEMS DISCLOSED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. BUSINESS COMBINATION

During the year and until 30 September 2019, the Company acquired, through various transactions, a 40.53% equity interest of GTNFoods Joint Stock Company ("GTN") for a consideration of VND1,478,191 million. In November and December 2019, the Company acquired an additional 34.47% equity interest of GTN for a consideration of VND1,969,141 million, increasing its ownership in this entity to 75%. Total consideration of VND3,460,086 million included direct purchase price by cash, transaction costs and share of profit from GTN as an associate.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amounts VND	Fair value adjustments VND	Recognised value on acquisition VND
Cash and cash equivalents	1,289,093,610,006	-	1,289,093,610,006
Short-term investments	689,953,475,500	-	689,953,475,500
Accounts receivable – short-term	102,549,756,276	-	102,549,756,276
Inventories	263,952,522,120	-	263,952,522,120
Other current assets	17,557,465,861	-	17,557,465,861
Accounts receivable – long-term	5,000,000	-	5,000,000
Fixed assets – net	1,062,324,709,093	-	1,062,324,709,093
Long-term work in progress	33,274,624,556	-	33,274,624,556
Long-term investments	236,853,426,944	-	236,853,426,944
Goodwill	322,646,602,633	-	322,646,602,633
Other long-term assets	8,977,954,624	-	8,977,954,624
Current liabilities	(288,060,294,101)	-	(288,060,294,100)
Deferred tax liabilities	(177,326,047,360)	-	(177,326,047,360)
Long-term liabilities	(2,913,200,000)	-	(2,913,200,000)
Non-controlling interests	(1,042,808,724,476)	-	(1,042,808,724,476)
Net identifiable assets and liabilities	2,516,080,881,676	-	2,516,080,881,676
Share of net assets acquired (75%)			1,887,060,661,257
Goodwill on acquisition			1,573,025,317,423
Total considerations			3,460,085,978,680
Share of profit from GTN as an associate Cash acquired			(12,754,033,843) (1,289,093,610,006)
Net cash outflow			2,158,238,334,831

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Goodwill recognised on the acquisition is attributable mainly to synergies which management expect to realise by integrating GTN into the Group's existing business.

The contribution of revenue and net profit after tax of acquired business to the Group's results during the period from acquisition date to 31 December 2019 was insignificant.

In accordance with Vietnamese Accounting Standard 11 – Business combination, the Group accounted for the business combination using fair value based on information available at the reporting date and was in the process of further updating the valuation of assets and liabilities acquired and the fair value of existing investments in GTN at the acquisition date.

2. CASH AND CASH EQUIVALENTS

	31/12/2019 VND	1/1/2019 VND
Cash on hand	2,104,240,925	1,853,588,837
Cash in bank	2,376,479,523,730	988,996,467,314
Cash in transit	-	81,760,111,520
Cash equivalents	286,610,873,797	450,000,000,000
	2,665,194,638,452	1,522,610,167,671

3. ACCOUNTS RECEIVABLE FROM CUSTOMERS

(a) Accounts receivable from customers – short-term

	31/12/2019 VND	1/1/2019 VND
Receivables from customers	3,474,498,518,959	3,380,017,354,930

(b) Accounts receivable from customer – long-term

	31/12/2019 VND	1/1/2019 VND
SIG Combibloc Ltd		67,658,410,631

Vietnam Dairy Products Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2019

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(c) Short-term allowance for doubtful debts

Movements of short-term allowance for doubtful debts during the year were as follows:

	31/12/2019 VND	1/1/2019 VND
Opening balance	(11,263,181,092)	(13,193,973,536)
Increase in allowance during the year	(3,106,480,618)	(4,925,309,687)
Increase from business acquisition	(6,808,032,855)	-
Allowance written back during the year	546,079,319	21,001,389
Allowance utilised during the year	3,831,045,005	6,933,068,631
Currency translation differences	5,864,616	(97,967,889)
Closing balance	(16,794,705,625)	(11,263,181,092)

4. OTHER RECEIVABLES

(a) Other short-term receivables

	31/12/2019 VND	1/1/2019 VND
Interest income from deposits	270,788,283,103	202,996,875,720
Receivables from employees	1,439,352,746	3,086,744,596
Advances to employees	46,455,711,459	39,971,327,489
Short-term deposits	8,100,031,282	5,056,861,106
Import tax refundable	947,730,977	6,487,398,794
Rebate income receivable from suppliers	16,220,762,319	67,394,546,080
Others	94,315,646,018	69,541,718,153
	438,267,517,904	394,535,471,938

(b) Other long-term receivables

	31/12/2019 VND	1/1/2019 VND
Collateral, deposits	16,119,656,995	12,641,321,463
Others	4,505,000,000	5,000,000,000
	20,624,656,995	17,641,321,463

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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5. INVESTMENTS

(a) Trading securities

		31/12/2019			1/1/2019	
	Carrying amount VND	Fair value VND	Allowance for diminution in value VND	Carrying amount VND	Fair value VND	Allowance for diminution in value
Short-term investments in shares:						
Bao Viet Joint Stock Commercial Bank	ı	ı	ı	442,000,000,000	442,000,000,000	ı
▶ Others	1,153,041,048	312,492,361	(840,586,787)	1,154,262,451	548,543,733	(605,728,258)
,	1,153,041,048	312,492,361	312,492,361 (840,586,787)	443,154,262,451	442,548,543,733	(605,728,258)

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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(b) Held-to-maturity investments

		31/12/2019 VND	1/1/2019 VND
Held-to-maturity investments - short-term • Term deposits	(*)	12,435,431,874,703	8,231,378,417,697
Held-to-maturity investments – long-term ▶ Term deposits	_	200,000,000,000	500,000,000,000

(*) The amounts represented term deposits at banks with the remaining term to maturity of 1 to 12 months and earned interest at rates ranging from 7.10% to 8.60% per annum (for the year ended 31 December 2018: from 3.80% to 8.00% per annum).

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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(c) Investments in other entities

		31/12/2019	6		1/1/2019	
	Carrying amount VND	Fair value VND	Allowance for diminution in value VND	Carrying amount VND	Fair value VND	Allowance for diminution in value VND
Investments in associates						
Miraka Holdings Limited	368,041,190,003	*)	I	383,178,796,529	*	ı
► APIS Corporation	27,129,550,095	*	ı	24,143,852,671	*	ı
 Asia Coconut Processing Joint Stock Company 	83,857,374,574	*	1	90,176,090,417	*	1
 Indirectly owned associates through GTNFoods Joint Stock Company 	209,084,472,387	*	1	ı		1
	688,112,587,059		1	497,498,739,617	ı	ı
Equity investment in other entities						
 Asia Saigon Food Ingredients Joint Stock Company 	69,261,607,154	*	ı	69,261,607,154	*)	1
An Khang Clinic – Pharmacy	300,000,000	*	ı	300,000,000	*)	ı
► Mien Trung Bovine Breeding JSC	1,688,700,000	*	(1,287,878,341)	1,688,700,000	*	(921,571,652)
▶ Others	33,286,703,058	*	(4,685,428,501)	833,220,000	*	ı
	104,537,010,212	•	(5,973,306,842)	72,083,527,154	1	(921,571,652)
	792,649,597,271		(5,973,306,842)	569,582,266,771		(921,571,652)

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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

	2019 VND	2018 VND
Opening balance	497,498,739,617	481,282,722,569
Investments	1,630,761,731,739	12,250,000,000
Increase from business acquisition	209,084,472,387	-
Deemed disposal	(1,643,515,765,581)	-
Dividends received	-	(18,467,703,509)
Share of (loss)/profit in associates	(5,716,591,103)	22,433,720,557
Closing balance	688,112,587,059	497,498,739,617

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

2019 VND	2018 VND
(605,728,258)	(675,708,019)
(236,103,624)	-
-	83,783,711
1,245,095	(13,803,950)
(840,586,787)	(605,728,258)
	(605,728,258) (236,103,624) - 1,245,095

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

	2019 VND	2018 VND
Opening balance	(921,571,652)	(8,121,391,011)
Increase in allowance during the year	(366,306,689)	(301,697,683)
Increase from business acquisition	(4,685,428,501)	-
Allowance utilised during the year	-	7,501,517,042
Closing balance	(5,973,306,842)	(921,571,652)

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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6. INVENTORIES

	31/12/20	19	1/1/2019		
	Cost VND	Allowance VND	Cost VND	Allowance VND	
Goods in transit	749,979,994,029	- '	1,238,073,977,728	-	
Raw materials	2,661,481,393,725	(10,038,265,185)	2,768,993,402,085	(6,086,246,473)	
Tools and supplies	36,772,262,332	-	28,371,666,681	-	
Work in progress	170,681,379,523	-	104,353,403,803	-	
Finished goods	1,340,143,116,595	(3,032,130,876)	1,338,140,872,718	(6,372,143,153)	
Merchandise inventories	29,311,606,981	-	59,011,157,448	-	
Goods on consignment	7,745,046,793	-	1,359,868,517	-	
	4,996,114,799,978	(13,070,396,061)	5,538,304,348,980	(12,458,389,626)	

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

	2019 VND	2018 VND
Opening balance	(12,458,389,626)	(20,243,661,977)
Increase in allowance during the year	(29,790,124,288)	(30,540,848,073)
Allowance written back during the year	28,237,030,891	35,609,112,758
Allowance utilised during the year	941,086,962	2,717,007,666
Closing balance	(13,070,396,061)	(12,458,389,626)

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

7. TANGIBLE FIXED ASSETS

Cost 4,495,227,310,593 15,705,241,140,444 Additions 39,848,213,040 434,467,589,924 Transfer from inventories - - - Transfer from investment properties 63,784,035,554 2,055,143,625 Transfer from investment properties 269,949,632,767 934,347,577,986 Increase from business acquisition 367,881,793,205 766,598,218,652 Other increases (413,790,650) 1,003,020,970 Disposals (16,609,811,323) (24,776,227,449) Currency translation differences (215,592,352) (1,167,481,049) Closing balance 1,440,392,325,920 7,737,290,803,408 Accumulated depreciation 1,440,392,325,920 7,737,290,803,408 Charge for the year 234,457,783,661 1,548,488,466 Charge for the year 234,457,783,661 1,354,352,159,485 Accumulated depreciation 1440,392,325,920 7,737,290,803,408 Charge for the year 234,457,783,661 1,354,343,524,91,506 Charge for the year 234,457,783,661 1,354,343,52,491,506 Reclassification	Machinery and Motor equipment vehicles VND	office s equipment VND	Livestock VND	Others	Total VND
entories estment properties estment properties siness acquisition preciation preciation 1440,392,325,920 estment properties 263,784,035,554 269,949,632,767 36,788,1793,205 (215,592,352) (20,848,514) (215,592,352) ear 1440,392,325,920 234,457,783,661 234,457,783,661 236,949,100) (12,462,677,195) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95) (12,62,771,95)					
39,848,213,040 entories estment properties siness acquisition siness acquisition et differences 63,784,035,554 6413,793,205 (413,790,650) (16,609,811,323) (20,848,514) et differences 6,219,430,942,320 5,219,430,942,320 estment properties siness acquisition 1,440,392,325,920 234,457,783,661 estment properties 39,325,113,984 (35,949,100) (12,462,677,195) (20,848,513) etion differences (91,918,360) 1,919,973,990,771	1,091,063,924,291	91 645,341,744,810	999,183,103,832	16,303,226,342	22,952,360,450,312
estment properties 63,784,035,554 struction in progress 63,784,035,554 siness acquisition 367,881,793,205 in differences (215,592,352) preciation 1,440,392,325,920 sar 2,34,457,783,661 setment properties 39,325,113,984 siness acquisition 2,18,410,160,374 (12,462,677,195) (20,848,513) tion differences (91,918,360)	57,589,924 57,566,803,880	0 60,123,121,833	27,585,774,385	1,045,327,800	620,636,830,862
struction in progress struction in progress struction in progress siness acquisition ser (20,848,514) (413,790,650) (16,609,811,323) (20,848,514) (215,592,352) sar 5,219,430,942,320 sar 1,440,392,325,920 sar 1,440,392,325,920 sar 39,325,113,984 (35,949,100) (12,462,677,195) (20,848,513) tion differences 30,354,834,984,577 1,919,973,990,771			399,741,923,305	1	399,741,923,305
siness acquisition siness acquisition 443,790,650) (16,609,811,323) (20,848,514) (215,592,352) sear 5,219,430,942,320 sear 5,219,430,942,320 sor 234,457783,661 estment properties 39,325,113,984 (35,949,100) (12,462,677,195) (20,848,513) tion differences 30,354,830,947,100) (12,462,677,195) (20,848,513) 41,919,973,990,771	55,143,625			•	65,839,179,179
siness acquisition 367,881,793,205 (413,790,650) (16,609,811,323) (20,848,514) (215,592,352) sort 5,219,430,942,320 sort 5,219,430,942,320 234,457,83,661 estment properties 39,325,113,984 (35,949,100) (12,462,677,195) (20,848,513) tion differences (91,918,360)	44,886,244,275	5 4,228,936,612		1	1,253,412,331,640
tion differences (213,790,650) (16,609,811,323) (20,848,514) (215,592,352) (20,848,514) (215,592,352) (215,592,325) (215,592,325) (23,4457,783,661 (23,949,100) (12,462,677,195) (20,848,513) (19,19,973,990,771 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919,973,990,971 (1,919	98,218,652 75,923,735,627	1,376,063,180	77,942,312,860	6,369,163,924	1,296,091,287,448
(413,790,650) (16,609,811,323) (20,848,514) (20,848,514) (215,592,352) preciation 1,440,392,325,920 39,325,113,984 51,100) (12,462,677,195) (20,848,513) (12,09,973,990,771) 3054,834,984,673	1		173,835,000	1	173,835,000
(16,609,811,323) (20,848,514) (215,592,352) preciation 1,440,392,325,920 sar 1,440,392,325,920 sar 234,457,783,661 stimes acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) tion differences (91,918,360) 3,054,834,984,673	3,020,970 (64,200,000)	0) (525,030,320)	1	1	'
(20,848,514) tion differences (215,592,352) preciation 1,440,392,325,920 ear 1,440,392,325,920 234,457,783,661 estment properties 39,325,113,984 siness acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) tion differences (91,918,360)	(51,994,352,272)	2) (5,490,189,788)	(254,200,546,439)	(4,142,006,468)	(357,213,133,739)
tion differences (215,592,352) preciation	16,763,618)	- (39,849,935)	(1,591,617,094)		(2,069,079,161)
5,219,430,942,320 9 aar 1,440,392,325,920 234,457,783,661 estment properties 39,325,113,984 siness acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) (91,918,360) tion differences (91,918,360) 1,919,973,990,771 33054,834,984,673	37,481,049) (28,758,023)	3) (38,744,545)	(82,539,354)	(4,355,274)	(1,537,470,597)
preciation (1440,392,325,920 acr astment properties 39,325,113,984 astment properties 39,325,113,984 astment properties 39,325,113,984 astment properties 39,325,113,984 (35,949,100) (12,462,677,195) (20,848,513) and differences (91,918,360) astmential (1,919,973,990,771 astme	52,159,485 1,217,353,397,778	8 704,976,051,847	1,248,752,246,495	19,571,356,324	26,227,436,154,249
ear 234,457,83,661 estment properties 39,325,113,984 siness acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) tion differences (91,918,360) 1,919,973,990,771					
estment properties 39,325,113,984 siness acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) tion differences (91,918,360) 1,919,973,990,771	0,803,408 555,678,581,045	.5 454,853,028,048	314,811,353,523	1,562,926,932	9,904,589,018,876
estment properties 39,325,113,984 siness acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) tion differences (91,918,360) 1,919,973,990,771	52,491,506 100,820,960,797	55,652,219,611	177,148,385,798	632,283,706	1,923,064,125,079
siness acquisition 218,410,160,374 (35,949,100) (12,462,677,195) (20,848,513) (91,918,360) (1919,973,990,771 8	14,488,466	1	1	1	41,219,602,450
siness acquisition 218.410,160,374 (35,949,100) (12.462,677,195) (20,848,513) (91,918,360) (1919,973,990,771 (3,919,972,990,771 (3,919,972,991)	ı	1	32,561,845	1	32,561,845
(35,949,100) (12,462,677,195) (20,848,513) (91,918,360) (91,918,360) (91,919,973,990,771 s	57,152,344 53,707,871,005	994,318,547	31,471,586,394	5,255,381,471	818,296,470,135
(12,462,677,195) (20,848,513) (91,918,360) (91,919,973,990,771 8	09,223,797 (52,965,000)	(20,309,697)	1	1	1
(20,848,513) tion differences (91,918,360) (1,919,973,990,771 3	5,062,107) (48,464,164,103)	3) (5,479,562,755)	(114,412,251,765)	(550,722,445)	(202,164,440,370)
(91,918,360) 1,919,973,990,771	- (33,617,371)	1) (201,092,328)	(444,614,407)	1	(700,172,619)
3.054.834.984.673	(1,709,269)	9) (32,888,372)	(46,869,822)	(1,459,943)	(810,629,748)
3.054.834.984.673	73,313,432 661,654,957,104	4 505,765,713,054	408,560,151,566	6,898,409,721	12,483,526,535,648
3.054,834,984,673					
	50,337,036 535,385,343,246	.6 190,488,716,762	684,371,750,309	14,740,299,410	13,047,771,431,436
Closing balance 3,299,456,951,549 8,836,678,846,053	78,846,053 555,698,440,674	199,210,338,793	840,192,094,929	12,672,946,603	13,743,909,618,601

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Cost Cost Cost Cost Cost Cost Cost Cost Cost Additions 475,569,436,392 Additions Additions 149,557,040,259 50,224,650,000 475,569,436,392 Additions 176,578,787,146,133 176,578,787,146,133 178,578,787,146,133 178,578,787,146,133 178,578,787,146,133 178,578,787,146,133 178,578,787,140 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,000 178,559,787,500 178,559,787,500 178,559,787,500 178,559,772,603 178,559,772		Land use rights VND	Trademark VND	Raw material area VND	Software VND	Others	Total VND
149,557,040,259 50,224,650,000 475,58 154,390,500,600 -	Cost						
154,390,500,600	Opening balance	275,787,746,133	I	ı	149,557,040,259	50,224,650,000	475,569,436,392
ress - - 1,796,970,000 - 1,796,970,000 epaid 112,529,876,900 -<	Additions	154,390,500,600	ı	ı	778,078,240	ı	155,168,578,840
epaid 140,579,011,356 276,413,594,392 164,964,058,635 3,429,000,000 - 585,33 epaid 112,529,876,900 - - (32,498,901,455) - 112,52 e83,0367,825) - - - (2,024,500) (2,4250,000) (284,250,000) e83,036,787,164 276,413,594,392 164,964,058,635 123,060,162,544 50,170,400,000 1,297,66 11,313,596,385 - - - 112,650,522,345 34,023,150,000 157,97 6,896,996,940 - - - 855,772,603 - - 213 - - - - (3,180,042) 34,023,150,000 157,97 - - - - - - 213 -	Transfer from construction in progress	ı	ı	1	1,796,970,000	1	1,796,970,000
112,529,876,900	Increase from business acquisition	140,579,011,356	276,413,594,392	164,964,058,635	3,429,000,000	1	585,385,664,383
(32,498,901,455) (32,498,901,455) - (32,4498,901,455)	Reclassification from long-term prepaid expenses	112,529,876,900	I	1	1	1	112,529,876,900
(230,367,825) - - (2,024,500) (54,250,000) (28 683,056,767,164 276,413,594,392 164,964,058,635 123,060,162,544 50,170,400,000 1,297,66 11,313,596,385 - - - 112,650,522,345 34,023,150,000 157,94 6,896,996,940 - - - 14,501,146,224 - 21,3 331,039,633 - - - 855,772,603 - 8 - - - (32,498,901,455) - - (32,49 - - - (31,88,042) (36,750,000) (32,49 18,541,632,958 - - 95,506,351,675 33,986,400,000 148,03 264,474,149,748 - 36,906,517,914 16,201,500,000 317,556,000 317,556,000 264,513,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000 11,149,66	Written off	ı	I	ı	(32,498,901,455)	ı	(32,498,901,455)
683,056,767,164 276,413,594,392 164,964,058,635 123,060,162,544 50,170,400,000 1,297,66 11,313,596,385 - - 112,650,522,345 34,023,150,000 157,99 6,896,996,940 - - - 14,501,146,224 - 21,3 331,039,633 - - - 855,772,603 - 83,498,901,455 - - - - (32,498,901,455) - (32,498,901,455) - - - - (32,498,901,455) - - 18,541,632,958 - - 95,506,351,675 33,986,400,000 148,03 264,474,149,748 - - 95,506,351,675 33,986,400,000 317,55 664,515,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000 11,149,64	Currency translation differences	(230,367,825)	I	1	(2,024,500)	(54,250,000)	(286,642,325)
11,313,596,385 112,650,522,345 34,023,150,000 157,99 6,940 14,501,146,224 - 21,3	Closing balance	683,056,767,164	276,413,594,392	164,964,058,635	123,060,162,544	50,170,400,000	1,297,664,982,735
11,313,596,385 - - 112,650,522,345 34,023,150,000 157,93 6,896,996,940 - - 14,501,146,224 - 21,3 - - - 855,772,603 - 8 331,039,633 - - - - - 32,498,901,455) - - (32,498,901,455) - (32,498,901,455) - (32,498,749) - (36,750,000) (32,498,01,455) - - (32,498,01,450) - (32,498,01,450) - - (32,498,01,450) - - (32,498,01,450) - - (32,498,01,450) - - (32,498,01,450) - - - (32,498,01,450) - - (32,498,01,450) -	Accumulated amortisation						
6,896,996,940	Opening balance	11,313,596,385	1	1	112,650,522,345	34,023,150,000	157,987,268,730
855,772,603 - 831,039,633 - 831,039,633 - 84,000,000 1,149,64,058,635 27,553,810,869 14,149,748 - 164,964,058,635 27,553,810,869 16,184,000,000 1,149,61	Charge for the year	6,896,996,940	1	1	14,501,146,224	1	21,398,143,164
331,039,633 (32,498,901,455) - (32,498,01,455) - (32,498,901,455) (36,750,000) (37,185,141,149,748) - (32,498,901,455) (36,750,000) (317,506,32,958) 95,506,351,675 (36,400,000) (148,031,432,958) - 36,906,517,914 (16,201,500,000) (1,149,61,	Increase from business acquisition	1	ı	1	855,772,603	1	855,772,603
(32,498,901,455) (36,750,000) - (2,188,042) (36,750,000) - (2,188,042) (36,750,000) - (2,188,042) (36,750,000) - (2,188,042) (36,750,000) - (36,474,149,748) (36,413,594,392) (164,964,058,635) (27,553,810,869) (16,184,000,000) - (36,4515,134,206) (276,413,594,392) (164,964,058,635) (27,553,810,869) (16,184,000,000)	Reclassification from long-term prepaid expenses	331,039,633	I	1	ı	1	331,039,633
(2,188,042) (36,750,000) 18,541,632,958 95,506,351,675 33,986,400,000 264,474,149,748 - 36,906,517,914 16,201,500,000 664,515,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000	Written off	I	I	ı	(32,498,901,455)	1	(32,498,901,455)
18,541,632,958 - - 95,506,351,675 33,986,400,000 264,474,149,748 - 36,906,517,914 16,201,500,000 664,515,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000	Currency translation differences	•	1	1	(2,188,042)	(36,750,000)	(38,938,042)
- 36,906,517,914 16,201,500,000 664,515,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000	Closing balance	18,541,632,958	•	1	95,506,351,675	33,986,400,000	148,034,384,633
- 36,906,517,914 16,201,500,000 664,515,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000	Net book value						
664,515,134,206 276,413,594,392 164,964,058,635 27,553,810,869 16,184,000,000	Opening balance	264,474,149,748	1	1	36,906,517,914	16,201,500,000	317,582,167,662
	Closing balance	664,515,134,206	276,413,594,392	164,964,058,635	27,553,810,869	16,184,000,000	1,149,630,598,102

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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9. INVESTMENT PROPERTY

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
Cost				
Opening balance	39,821,793,375	6,464,218,561	101,034,438,687	147,320,450,623
Transfer to tangible fixed assets	-	(5,994,290,197)	(59,844,888,982)	(65,839,179,179)
Closing balance	39,821,793,375	469,928,364	41,189,549,705	81,481,271,444
Accumulated depreciation				
Opening balance	4,610,911,366	5,798,297,944	46,663,040,554	57,072,249,864
Charge for the year	865,672,681	211,744,707	2,533,089,906	3,610,507,294
Transfer to tangible fixed assets	-	(5,540,114,287)	(35,679,488,163)	(41,219,602,450)
Closing balance	5,476,584,047	469,928,364	13,516,642,297	19,463,154,708
Net book value				
Opening balance	35,210,882,009	665,920,617	54,371,398,133	90,248,200,759
Closing balance	34,345,209,328	-	27,672,907,408	62,018,116,736

The Group's investment property represented 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

Included in the cost of investment property held to earn rental was assets costing VND470 million which were fully depreciated as at 31 December 2019 (1/1/2019: VND7,892 million), but which are still in active use.

10. 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.

luded in the cost of tangible INTANGIBLE FIXED

Vietnam Dairy Products Joint Stock Company and its subsidiaries

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11. CONSTRUCTION IN PROGRESS

	2019 VND	2018 VND
Opening balance	653,847,678,004	1,746,890,968,380
Additions	1,360,141,492,392	2,522,897,009,069
Increase from business acquisition	-	41,775,811,751
Transfer to tangible fixed assets	(1,253,412,331,640)	(3,506,082,322,887)
Transfer to intangible fixed assets	(1,796,970,000)	(9,493,334,500)
Transfer to inventories	(5,507,091,233)	(7,369,748,224)
Transfer to short-term prepaid expenses	(13,371,239,438)	(1,578,803,935)
Transfer to long-term prepaid expenses	(30,607,848,661)	(92,804,867,250)
Disposals	(3,005,364,532)	(29,427,130,703)
Other decreases	(11,991,087,321)	(11,114,841,576)
Currency translation differences	(85,579,064)	154,937,879
Closing balance	694,211,658,507	653,847,678,004

Major constructions in progress were as follows:

	31/12/2019 VND	1/1/2019 VND
Thong Nhat Thanh Hoa Dairy Cow One Member Limited Company	334,702,066,025	199,731,336,725
Vietnam Dairy Cow One Member Limited Company	133,837,220,407	102,154,976,125
Others	225,672,372,075	351,961,365,154
	694,211,658,507	653,847,678,004

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12. PREPAID EXPENSES

(a) Short-term prepaid expenses

	31/12/2019 VND	1/1/2019 VND
Software deployment and networks maintenance	9,572,209,173	5,593,701,960
Advertising	9,658,640,649	1,760,281,563
Operating lease	5,626,854,948	1,604,474,481
Tools and supplies	14,812,274,870	17,012,413,694
Renovation and repair	8,718,925,773	11,759,637,267
Other short-term prepaid expenses	20,245,436,425	17,090,611,292
	68,634,341,838	54,821,120,257

(b) Long-term prepaid expenses

	Land costs VND	Tools and instruments VND	Others VND	Total VND
Opening balance	422,774,698,476	227,889,846,740	99,934,931,088	750,599,476,304
Additions	3,195,576,200	138,188,053,706	56,268,697,705	197,652,327,611
Increase from business acquisition	-	6,823,239,850	2,154,714,773	8,977,954,623
Transfer from construction in progress	-	10,771,023,049	19,836,825,612	30,607,848,661
Amortisation for the year	(8,850,176,814)	(137,993,212,158)	(47,026,454,524)	(193,869,843,496)
Reclassification to intangible fixed assets	(112,198,837,267)	-	-	(112,198,837,267)
Other decreases	-	(775,555)	(3,084,789,494)	(3,085,565,049)
Currency translation difference	(33,678,033)	(18,265,790)	(937,695)	(52,881,518)
Closing balance	304,887,582,562	245,659,909,842	128,082,987,465	678,630,479,869

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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13. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets

	31/12/2019 VND	1/1/2019 VND
Deferred tax assets		
Foreign exchange differences	3,257,402,544	4,506,066,449
Accrued expenses and provisions	23,109,878,308	31,954,599,399
Net deferred tax assets	26,367,280,852	36,460,665,848

(b) Deferred tax liabilities

	31/12/2019 VND	1/1/2019 VND
Deferred tax assets		
Accounts receivable	1,526,659,840	1,172,386,830
Inventories	909,887,600	941,746,905
Tax losses carry forwards	29,950,457,200	31,369,020,270
Accrued expenses	6,864,189,280	5,670,987,900
Others	2,854,973,200	2,500,562,655
Total deferred tax assets	42,106,167,120	41,654,704,560
Deferred tax liabilities		
Fixed assets	(392,607,456,097)	(221,960,420,440)
Others	(24,425,586,400)	(24,451,998,151)
Total deferred tax liabilities	(417,033,042,497)	(246,412,418,591)
Net deferred tax liabilities	(374,926,875,377)	(204,757,714,031)

Deferred tax assets have been recognised on taxable temporary differences and tax losses incurred at Driftwood Dairy Holding Corporation, a subsidiary incorporated and operating in the United States of America, using its effective tax rate.

Vietnam Dairy Products Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2019

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14. GOODWILL

	2019 VND	2018 VND
Opening balance	538,340,102,319	474,930,098,235
Increase from business acquisitions (Note V.1)	1,573,025,317,423	120,331,532,026
Pre-existing goodwill of the acquiree (Note V.1)	322,646,602,633	-
Charge for the year	(67,951,918,380)	(56,921,527,942)
Closing balance	2,366,060,103,995	538,340,102,319

15. ACCOUNTS PAYABLE TO SUPPLIERS

(a) Accounts payable to suppliers detailed by significant supplier

	31/12	2/2019	1/1/2	019
	Carrying amount VND	Repayable amount VND	Carrying amount VND	Repayable amount VND
Other suppliers	3,648,445,576,699	3,648,445,576,699	3,991,064,706,111	3,991,064,706,111

(b) Accounts payable to related parties

	31/12/2019 VND	1/1/2019 VND
Associates		
APIS Corporation	12,362,064,763	17,295,725,739
Asia Coconut Processing Joint Stock Company	1,776,358,247	-

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

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Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

BORROWINGS

(a) Short-term borrowings 16.

	1/1/2019 VND	Incurred	Paid VND	Currency translation differences	31/12/2019 VND
Short-term borrowings	1,002,185,152,329	10,152,720,171,563	(5,823,995,612,490)	(256,451,211)	5,330,653,260,191
Current portion of long- term borrowings	57,862,500,000	20,860,200,000	(57,945,000,000)	30,300,000	20,808,000,000
	1,060,047,652,329	10,173,580,371,563	(5,881,940,612,490)	(226,151,211)	5,351,461,260,191

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

Lenders	Note	Currency	Annual interest rate	31/12/2019 VND	1/1/2019 VND
Sumitomo Mitsui Banking Corporation, Ho Chi Minh City Branch	(i)	USD	2.70%	2,320,900,000,000	ı
The Bank of Tokyo – Mitsubishi UFJ Ltd., Ho Chi Minh City Branch	(i)	OSD	2.24%	2,554,200,000,000	
HSBC Bank USA	(ii)	USD	3.52%	140,403,085,136	ı
Joint Stock Commercial Bank for Investment and Development of Vietnam, Khanh Hoa Branch	(!!!!)	Q N >	6.50%	155,169,168,643	135,014,812,812
HSBC Bank (Vietnam) Limited, Ho Chi Minh City Branch	(i>)	QN>	4.90% - 5.50%	159,981,006,412	1
The Bank of Tokyo – Mitsubishi UFJ Ltd., Ho Chi Minh City Branch		QN>	5.15% - 5.30%	1	700,000,000,000
Vietnam Bank for Agriculture and Rural Development, Khanh Hoa Branch		QN>	5.50% - 6.50%	1	100,000,000,000
Wells Fargo		USD	4.57%	1	67,170,339,517
			1 11	5,330,653,260,191	1,002,185,152,329

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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These loans were unsecured. \equiv This Ioan was secured by assets with carrying amount of VND750,071 million as at 31 December 2019. $\widehat{\equiv}$ These loans were secured by fixed assets with carrying amount of VND229,724 million as at 31 December 2019 (1/1/2019: VND250,736 million). $\widehat{\Xi}$

These loans were secured by inventories with amount of VND160,000 million as at 31 December 2019. $\widehat{\geq}$

(b) Long-term borrowings

	1/1/2019 UND	Incurred	Paid VND	Currency translation differences	31/12/2019 VND
Long-term borrowings	273,661,419,361	278,136,000,000	(408,027,936,468)	31,500,000	143,800,982,893
Current portion of long- term borrowings	(57,862,500,000)	(20,860,200,000)	57,945,000,000	(30,300,000)	(20,808,000,000)
	215,798,919,361	257,275,800,000	(350,082,936,468)	1,200,000	122,992,982,893

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

Lenders	Note	Currency	Annual interest rate	Year of maturity	31/12/2019 VND	1/1/2019 VND
HSBC Bank USA	(i)	OSD	4.11%	2020	138,720,000,000	ı
Individuals	(!!)	QN>	5.40%	2039	5,080,982,893	7,493,919,361
Sumitomo Mitsui Banking Corporation, Ho Chi Minh City Branch		USD	4.33%	2020	1	266,167,500,000
					143,800,982,893	273,661,419,361

as at 31 December 2019. This loan was secured by assets with carrying amount of VND750,071 million

These loans were unsecure

 \equiv \equiv

17. TAXES PAYABLE TO STATE TREASURY

	1/1/2019 VND	Incurred	Tincrease from business acquisition VND	Paid VND	Currency translation differences VND	31/12/2019 VND
Value added tax	72,767,678,106	2,304,673,106,362	1,933,795,992	(2,236,398,727,547)	(2,803,434)	142,973,049,479
Corporate income tax	240,617,447,257	2,238,365,796,113	2,842,306,937	(2,033,592,165,968)	34,561,820	448,267,946,159
Personal income tax	13,883,959,734	227,371,036,397	735,128,415	(226,890,990,551)	(630,169)	15,098,503,826
Import tax	12,600,974,855	262,384,739,344	1	(265,971,783,667)	(2,932,796)	9,010,997,736
Other taxes	1,798,987,671	78,979,091,954	000'622'999	(77,389,757,521)	(1,932,454)	4,043,168,650
	341,669,047,623	5,111,773,770,170	6,168,010,344	(4,840,243,425,254)	26,262,967	619,393,665,850

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18. SHORT-TERM ACCRUED EXPENSES

	31/12/2019 VND	1/1/2019 VNE
Sale incentives, promotion	772,113,174,851	776,107,581,197
Advertising expenses	528,630,512,164	94,497,076,043
Transportation expenses	80,462,406,538	79,971,625,109
Repair and maintenance expenses	27,555,234,704	28,619,830,706
Fuel expenses	9,088,689,260	13,191,035,875
Expenses for outsourced employees	75,439,919,727	102,360,840,273
Rental fees	11,421,374,844	4,735,827,809
nterest expense	111,732,978,978	230,824,640,480
Others	121,877,617,778	106,924,075,242
	1,738,321,908,844	1,437,232,532,734

19. OTHER SHORT-TERM PAYABLES

	31/12/2019 VND	1/1/2019 VNI
Other payables relating to financial investments	-	461,267,419,155
Short-term deposits received	23,018,045,907	35,007,209,187
Insurance and trade union fees	6,257,352,031	3,967,101,640
Dividend payables	1,790,475,448,000	1,741,407,855,000
Outstanding cheques in exceed of bank balance	-	43,268,352,898
Import duty payables	-	13,862,123,850
Mutual fund collected and managed on behalf of farmers	53,845,326,860	
Others	82,768,226,030	241,547,890,202
_	1,956,364,398,828	2,540,327,951,932

20. PROVISION – SHORT-TERM

	31/12/2019 VND	1/1/2019 VND
Provision for severance allowance (*)	5,223,048,135	4,502,303,315
Provision for regular fixed assets maintenance	1,680,238,911	-
Others	1,145,598,720	-
	8,048,885,766	4,502,303,315

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(*) Movement of provision for severance allowance during the year were as follows:

	2019 VND	2018 VND
Opening balance	7,014,989,703	102,523,428,175
Increase in provision during the year	5,135,186,530	3,235,466,057
Provision used during the year	(4,408,869,921)	(3,588,000,731)
Provision written back during the year	(2,518,258,177)	(95,155,903,798)
Closing balance	5,223,048,135	7,014,989,703
Of which:		
Provision – short-term	5,223,048,135	4,502,303,315
Provision – long-term	-	2,512,686,388

21. 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:

	2019 VND	2018 VND
Opening balance	507,013,437,050	692,489,769,561
Increase from business acquisition	58,057,048,774	-
Appropriation	1,042,687,225,216	1,006,694,001,566
Other increases	-	149,174,000
Utilisation	(973,821,154,429)	(1,192,319,508,077)
Closing balance	633,936,556,611	507,013,437,050

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	Share capital VND	Share premium VND	Treasury share VND	Foreign exchange differences VND	Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
As at 1 January 2018	14,514,534,290,000	260,699,620,761	(7,159,821,800)	18,367,457,133	2,851,905,410,228	5,736,920,629,462	497,790,228,077	23,873,057,813,861
Capital increase from bonus shares	2,902,343,640,000	(260,699,620,761)	1	1	(2,641,644,019,239)	1	1	1
Purchase of treasury shares	1	ı	(3,325,885,560)	ı	1	ı	1	(3,325,885,560)
Net profit for the year	ı	ı	1	ı	ı	10,227,281,151,464	(21,651,440,225)	10,205,629,711,239
Appropriation to equity funds	1	ı	1	I	981,410,982,604	(981,410,982,604)	ı	ı
Appropriation to bonus and welfare fund (Note V.21)	1	ı	ı	1	1	(1,006,694,001,566)	ı	(1,006,694,001,566)
Increase from business acquisition	ı	1	ı	1	1	1	14,095,761,802	14,095,761,802
Dividends (Note V.24)	ı	,	1	ı	ı	(6,820,662,482,500)		(6,820,662,482,500)
Currency translation differences	1	ı	ı	9,268,374,651	1	ı	ı	9,268,374,651
As at 1 January 2019	17,416,877,930,000		(10,485,707,360)	27,635,831,784	1,191,672,373,593	7,155,434,314,256	490,234,549,654	26,271,369,291,927
Increase from business acquisition	1	1	1	1	1	1	1,671,828,944,895	1,671,828,944,895
Capital contribution	1	ı	I	ı	1	1	127,768,725,000	127,768,725,000
Purchase of treasury shares	1	ı	(1,159,248,760)	ı	ı	ı	1	(1,159,248,760)
Net profit for the year	1	ı	1	1	ı	10,581,175,671,989	(26,843,791,098)	10,554,331,880,891
Appropriation to equity funds	1	ı	1	ı	1,008,515,999,602	(1,008,515,999,602)	1	1
Appropriation to bonus and welfare fund (Note V.21)	1	1	ı	1	1	(1,042,687,225,216)	ı	(1,042,687,225,216)
Other increases/(decreases)	1	ı	1	ı	ı	26,276,249,997	(35,791,467,980)	(9,515,217,983)
Dividends (Note V.24)	1	ı	ı	ı	1	(7,836,220,609,500)	ı	(7,836,220,609,500)
Currency translation differences	1	1	1	(4,461,336,890)		1	1	(4,461,336,890)

Vietnam Dairy Products Joint Stock Company and its subsidiaries

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23. SHARE CAPITAL

The Company's authorised and issued share capital are:

	31/12	2/2019	1/1/20	019
	Number of shares	VND	Number of shares	VND
Authorised share capital	1,741,687,793	17,416,877,930,000	1,741,687,793	17,416,877,930,000
Issued shares				
Ordinary shares	1,741,687,793	17,416,877,930,000	1,741,687,793	17,416,877,930,000
Treasury shares				
Ordinary shares	(310,099)	(11,644,956,120)	(276,210)	(10,485,707,360)
Shares currently in circulat	ion			
Ordinary shares	1,741,377,694	17,405,232,973,880	1,741,411,583	17,406,392,222,640

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Share-holders 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.

Details of share capital:

	31/12/2019 and 1/1/2019 VND %	
The State's capital	6,270,638,350,000	36.00%
Other shareholders' capital	11,146,239,580,000	64.00%
	17,416,877,930,000	100.00%

24. DIVIDENDS

Pursuant to the Resolution of Annual General Meeting of Shareholders, the Board of Management of the Company on 19 April 2019, 3 September 2019 and 2 December 2019 resolved to distribute dividends in relation to 2018 and 2019 profits, totally amounting to VND7,836,221 million (VND1,500 per share for the remaining distribution for the fiscal year 2018, VND2,000 per share for the first distribution for the fiscal year 2019 and VND1,000 per share for the second advance distribution for the fiscal year 2019) (for the year ended 31 December 2018: VND6,820,662 million (VND1,500 per share for the remaining distribution for the fiscal year 2017, VND2,000 per share for the first distribution for the fiscal year 2018 and VND1,000 per share for the second advance distribution for the fiscal year 2018)).

Vietnam Dairy Products Joint Stock Company and its subsidiaries

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25. OFF BALANCE SHEET ITEMS

(a) Leases

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

	31/12/2019 VND	1/1/2019 VND
Within one year	26,573,411,505	27,981,487,983
Within two to five years	61,288,770,406	71,434,602,290
More than five years	372,475,927,006	435,377,745,996
	460,338,108,917	534,793,836,269

(b) Foreign currencies

	31/12/2	019	1/1/2	019
	Original currency	VND equivalent	Original currency	VND equivalent
USD	18,849,582.01	427,479,136,071	5,789,336.73	133,994,198,570
EUR	1,070.24	27,562,961	3,219.93	84,845,156
	_	427,506,699,032	-	134,079,043,726
	_		-	

(c) Capital commitments

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

	31/12/2019 VND	1/1/2019 VND
Approved and contracted	2,250,010,458,648	2,623,320,438,226

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Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2019
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VI. SUPPLEMENTARY INFORMATION TO ITEMS DISCLOSED IN THE CONSOLIDATED STATEMENT OF INCOME

1. 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:

	2019 VND	2018 VND
Total revenue		
Sales of finished goods	54,051,206,283,709	50,583,075,569,589
▶ Sales of merchandise goods	2,121,875,131,531	1,776,434,735,965
▶ Other services	57,429,475,380	61,508,966,437
▶ Rental income from investment property	11,081,348,335	16,985,591,588
▶ Others	158,637,487,762	191,225,563,705
	56,400,229,726,717	52,629,230,427,284
Less revenue deductions		
Sale discounts	35,320,204,853	24,468,134,008
► Sale returns	46,786,759,120	42,812,322,684
	82,106,963,973	67,280,456,692
Net revenue	56,318,122,762,744	52,561,949,970,592

In which revenue from sales to a related party was as follows:

	2019 VND	2018 VND
Associates		
APIS Corporation	302,263,750	300,586,875

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2. COST OF SALES

	2019 VND	2018 VND
Total cost of sales		
Finished goods sold	27,399,359,100,623	25,966,686,345,927
Merchandise goods sold	1,968,762,621,193	1,570,999,389,716
 Costs of promotional goods and merchandise 	245,378,295,206	256,520,352,313
 Operating costs of investment property 	4,285,651,543	8,429,185,015
Other services	7,175,585,374	13,149,311,550
Inventories losses	-	77,588,612
Under-capacity costs	79,028,613,103	75,786,414,033
 Increase/(decrease) of allowance for inventories 	1,553,093,397	(5,068,264,685)
Other cost of sales	40,363,151,678	63,963,179,020
	29,745,906,112,117	27,950,543,501,501

3. FINANCIAL INCOME

	2019 VND	2018 VND
Interest income from deposits	724,201,948,913	665,813,438,377
Interest income from corporate bonds	-	10,936,582,192
Foreign exchange gains	45,677,155,030	55,684,233,977
Dividends	26,388,617	1,826,192,791
Others	37,411,214,923	25,656,943,664
	807,316,707,483	759,917,391,001

4. FINANCIAL EXPENSES

	2019 VND	2018 VND
Interest expense on borrowings	108,824,893,987	51,367,418,852
Interest expense on deposits received	209,154,467	1,309,845,580
Foreign exchange losses	60,074,270,250	58,022,973,593
Allowance for diminution in value of financial investments	602,410,313	217,913,972
Payment discounts for customers	16,644,639,654	5,102,194,900
Others	614,313,157	1,986,654,777
	186,969,681,828	118,007,001,674

Vietnam Dairy Products Joint Stock Company and its subsidiaries

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5. SELLING EXPENSES

	2019 VND	2018 VND
Staff costs	662,893,692,363	603,641,303,823
Materials expenses	58,598,092,914	62,452,892,303
Tools and supplies expenses	101,797,093,375	123,607,444,086
Depreciation expenses	32,209,218,234	40,456,552,631
Expenses of damaged goods	47,010,411,525	44,550,977,735
Transportation expenses	656,573,934,636	623,818,802,250
Outside service expenses	538,070,812,541	488,367,274,042
Advertising and market research expenses	2,099,837,013,737	1,754,565,156,017
Promotion, product display expenses, support and commission expenses for distributors	8,796,464,283,527	8,524,476,503,546
	12,993,454,552,852	12,265,936,906,433

6. GENERAL AND ADMINISTRATION EXPENSES

	2019 VND	2018 VND
Staff costs	593,317,535,442	430,316,233,422
Materials expenses	40,456,896,979	43,307,886,827
Office supplies	21,033,022,257	22,088,490,674
Depreciation expenses	91,973,691,054	91,455,776,516
Taxes, fees and duties	17,487,095,595	13,474,172,283
Allowance for doubtful debts and provision for severance allowance	7,541,515,077	7,448,548,203
Transportation expenses	42,897,711,789	38,430,575,736
Outside service expenses	319,849,426,955	257,840,111,48
Loading expenses	30,064,181,864	28,000,035,60
Per-diem allowances	56,796,678,410	51,120,138,866
Bank charges	14,954,730,837	11,841,257,499
Others	159,929,930,696	137,977,004,67
	1,396,302,416,955	1,133,300,231,790

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7. OTHER INCOME

	2019 VND	2018 VND
Proceeds from disposals of fixed assets and construction in progress	115,441,098,773	188,199,147,154
Compensations received from other parties	6,090,919,888	6,713,533,550
Tax refunded	4,532,009,470	-
Rebate income from suppliers	91,200,000,000	127,151,102,534
Others	32,182,231,048	128,183,546,742
	249,446,259,179	450,247,329,980

8. OTHER EXPENSES

	2019 VND	2018 VND
Book value of fixed assets and construction in progress disposed	158,054,057,901	256,035,363,737
Others	92,772,678,093	19,029,140,872
	250,826,735,994	275,064,504,609

9. PRODUCTION AND BUSINESS COSTS BY ELEMENT

	2019 VND	2018 VND
Raw material costs included in production costs	23,085,598,914,758	22,569,828,439,864
Labour costs and staff costs	2,461,783,667,411	2,116,120,236,299
Depreciation and amortisation	1,937,044,165,899	1,617,572,091,599
Outside services	2,714,954,382,152	2,473,261,223,328
Other expenses	11,839,165,502,615	11,200,481,378,273
Other expenses	11,839,165,502,615	11,200,481,378

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Vietnam Dairy Products Joint Stock Company and its subsidiaries

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10. INCOME TAX

(a) Recognised in the consolidated statement of income

	2019 VND	2018 VND
Current tax expense	2,238,365,796,113	1,874,905,225,483
In which: Current tax expense relating to taxable income of prior years	124,920,226,014	26,933,057,444
Deferred tax expense/(benefit) Origination and reversal of temporary differences	3,011,961,553	(28,838,670,599)
Income tax expense	2,241,377,757,666	1,846,066,554,884

(b) Reconciliation of effective tax rate

	2019 VND	2018 VND
Accounting profit before tax	12,795,709,638,557	12,051,696,266,123
Tax at the Company's tax rate	2,559,141,927,711	2,410,339,253,225
Tax rate differential applied to Company's subsidiaries, branches and factories	(54,414,533,305)	(27,413,862,476)
Tax exempt income	(5,277,723)	(365,238,558)
Non-deductible expenses	15,588,846,243	8,775,122,365
Tax incentives	(407,864,910,964)	(549,214,718,352)
Deferred tax assets not previously recognised	4,011,479,690	(22,987,058,764)
Current tax expense relating to taxable income of prior years	124,920,226,014	26,933,057,444
	2,241,377,757,666	1,846,066,554,884

(c) Applicable tax rates

The companies in the Group are required to pay income tax at rates ranging from 10% to 21%, depending on principal activities of its factories, on taxable profits. The Company and its subsidiaries incurred the income tax charges.

Vietnam Dairy Products Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the year ended 31 December 2019

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11. BASIC EARNINGS PER SHARE

The calculation of earnings per share for the year ended 31 December 2019 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare fund and a weighted average number of ordinary shares outstanding, calculated as follows:

(a) Net profit attributable to ordinary shareholders

	2019 VND	2018 VND
Net profit for the year – attributable to ordinary share- holders before appropriation to bonus and welfare fund	10,581,175,671,989	10,227,281,151,464
Appropriation to bonus and welfare fund	(1,042,687,225,216)	(1,006,694,001,566)
Net profit for the year attributable to ordinary share- holders after appropriation to bonus and welfare fund	9,538,488,446,773	9,220,587,149,898

(b) Weighted average number of ordinary shares

	2019 Number of shares	2018 Number of shares
sued ordinary shares at the beginning of the year	1,741,411,583	1,451,278,520
ffect of bonus shares issues during the year	-	290,253,883
ffect of treasury shares purchased during the year	(20,259)	(56,328)
Veighted average number of ordinary shares for the ear ended 31 December	1,741,391,324	1,741,476,075

As at 31 December 2019, the Group did not have potentially dilutive ordinary shares.

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

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VII. OTHER INFORMATION

1. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

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

Related party	Relationship	Nature of transaction	2019 VND	2018 VND
Miraka Holdings Limited	Associate	Purchases of goods	71,979,909,120	92,116,872,865
APIS Corporation	Associate	Purchases of goods	86,589,779,905	368,669,693,195
		Capital contribution	-	12,250,000,000
Asia Coconut Processing Joint Stock Company	Associate	Purchases of goods and services	14,275,545,286	41,201,750
Members of Board of Management and Board of Directors		Compensation	107,144,571,099	105,156,020,454
The State Capital Investment Corporation		Dividends	3,448,851,092,500	2,612,765,980,000

Vietnam Dairy Products Joint Stock Company and its subsidiaries Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

Form B 09 – DN/HN (Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance) geographical segment. which is the of the Group's primary segment, Segment information is presented in respect

2. SEGMENT INFORMATION

Unallocated items or losses, and cora reasonable be expenses, other g be allocated on a reasor administration expenses, as those that can enses, general and ent as well as tho selling expenses, Segment results include items directly attributable to a segment comprise assets and liabilities, financial income and expenses, selliporate income tax.

Geographical segments

irs, which is since most customer resented s oĘ not are the geographical loc capital expenditure on tand based assets a revenue is k . Segment o In presenting information on the basis of geographical segments, segment I located in Vietnam ("Domestic") or countries other than Vietnam ("Overseas"). of assets and production facilities are in Vietnam.

	Domestic (Customers located in Vietnam) Year ended	sstic ed in Vietnam) nded	Overseds (Customers located in countries other than Vietnam) Year ended	ds d in countries 'ietnam) ded	Te Year	Total Year ended
	2019 VND	2018 VND	2019 VND	2018 VND	2019 VND	2018 VND
Net revenue	47,554,538,149,171	44,747,261,858,074	8,763,584,613,573	7,814,688,112,518	56,318,122,762,744	52,561,949,970,592
Cost of sales	(25,120,703,133,945)	(23,804,252,809,032)	(4,625,202,978,172)	(4,146,290,692,469)	(29,745,906,112,117)	(27,950,543,501,501)
Segment gross profit	22,433,835,015,226	20,943,009,049,042	4,138,381,635,401	3,668,397,420,049	26,572,216,650,627	24,611,406,469,091

Le Thanh Liem

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CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of financial position as at 31 December 2019

	31/12/2019 VND million	31/12/2018 VND million
Current assets	24,690,283	20,182,792
Cash and cash equivalents	2,665,195	1,522,610
Other investments	12,435,744	8,231,927
Trade and other receivables	4,637,582	4,837,374
Inventories	4,951,762	5,501,458
Share-based payment assets	-	89,423
Non-current assets	20,384,251	16,888,080
Trade and other receivables	435,833	415,816
Prepaid land costs	-	422,775
Right of use assets	517,088	-
Other investments	298,564	571,162
Property, plant and equipment	13,810,973	13,230,522
Biological assets	1,121,205	923,610
Intangible assets	3,426,086	701,983
Investment property	62,018	90,248
Investment in equity accounted investees	688,112	497,499
Deferred tax assets	24,372	34,465
TOTAL ASSETS	45,074,534	37,070,872

Consolidated statement of financial position as at 31 December 2019 (continued)

	31/12/2019 VND million	31/12/2018 VND million
LIABILITIES AND EQUITY	'	
LIABILITIES	15,390,489	10,793,838
Current liabilities	14,438,986	10,188,810
Borrowings	5,351,461	1,060,048
Trade and other payables	8,222,883	8,251,540
Income tax payable	448,268	240,617
Other taxes payable	171,126	101,052
Advances from customers	245,248	535,553
Non-current liabilities	951,503	605,028
Borrowings	122,993	215,799
Trade and other payables	27,846	32,078
Lease liabilities	258,642	-
Severance allowance obligations	167,095	152,393
Deferred tax liabilities	374,927	204,758
EQUITY	29,684,045	26,277,034
Equity attributable to equity holders of the Company	27,456,848	25,786,799
Share capital	17,416,878	17,416,878
Share premium	1,883,570	1,878,130
Treasury shares	(11,645)	(10,486)
Fair value reserve	(1,601)	(1,000)
Translation reserve	23,186	27,649
Other reserve	2,200,188	1,191,672
Retained earnings	5,946,272	5,283,956
Non-controlling interest	2,227,197	490,235
TOTAL LIABILITIES AND EQUITY	45,074,534	37,070,872

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2019 VND million I. Profit or loss 49,822,326 45,955,195 Revenue Cost of sales (30,306,791) (28,600,243) **Gross profit** 19,515,535 17,354,952 Other income 134,005 166,892 Selling expenses (6,823,427) (6,026,678) General and administration expenses (1,610,443) (1,336,154) Other losses – net (118,622) (65,534)Results from operating activities 11,097,048 10,093,478 Finance income 724,228 678,576 Finance cost (120,250) (52,677)Net finance income 603,978 625,899 Share of (loss)/profit of equity accounted investees (5,717) 22,434 11,695,309 10,741,811 Profit before tax (2,241,378) (1,846,067) Income tax Net profit from continuing operations 9,453,931 8,895,744 Net loss from discontinued operations (net of income tax) Net profit 9,453,931 8,895,744

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (continued)

	2019 VND million	2018 VND million
II. Other comprehensive income		
Items that will not be reclassified to profit or loss		
Equity investments at FVOCI – net change in fair value	(601)	(232)
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences	(4,463)	9,282
Total comprehensive income	9,448,867	8,904,794
Net profit attributable to:		
Equity holders of the Company	9,480,775	8,917,395
Non-controlling interest	(26,844)	(21,651)
Net profit	9,453,931	8,895,744
Total comprehensive income attributable to:		
Equity holders of the Company	9,475,711	8,926,445
Non-controlling interest	(26,844)	(21,651)
Total comprehensive income	9,448,867	8,904,794
Earnings per share		
Basic earnings per share (in VND)	5,444	5,121
Basic earnings per share from continuing operations (in VND)	5,444	5,121

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Consolidated statement of cash flows for the year ended 31 December 2019

	2019 VND million	2018 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,695,309	10,741,811
Adjustments for		
Depreciation and amortisation	1,965,537	1,636,063
Exchange losses/(gains) arising from revaluation of monetary items denominated in foreign currencies	6,458	(1,358)
Losses on disposals of property, plant and equipment and biological assets	43,962	70,046
Interest expense	109,034	51,367
Interest and dividend income	(724,228)	(678,576)
Share of loss/(profit) of equity accounted investees	5,717	(22,434)
Profit from other investing activities	(1,513)	-
Impacts of shares issued under Employees Stock Option Plan ("ESOP")	94,863	191,215
Operating profit before changes in working capital	13,195,139	11,988,134
Change in receivables	151,881	(50,493)
Change in inventories	818,874	(1,463,749)
Change in payables and other liabilities	64,400	(309,179)
	14,230,294	10,164,713
Interest paid	(228,126)	(110,740)
Income tax paid	(2,033,592)	(1,879,580)
Net cash generated from operating activities	11,968,576	8,174,393

Consolidated statement of cash flows for the year ended 31 December 2019 (continued)

	2019 VND million	2018 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment, intangible assets and biological assets	(2,704,592)	(3,257,228)
Payments for prepaid land costs	-	(256)
Collections on disposals of property, plant and equipment and biological assets	114,090	130,547
Payments for investments in equity accounted investees	-	(12,250)
Receipts from collecting loans	2,599	2,230
Collections from investments in other entities	1,513	18,468
Receipts from sales of debt instruments of other entities	-	190,786
(Payments for)/collections from term deposits – net	(3,215,380)	1,199,160
Receipts of interest and dividends	665,791	782,637
Acquisition of a subsidiary – net	(2,154,390)	(133,393)
Net cash used in investing activities	(7,290,369)	(1,079,299)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital contribution from non-controlling interests	127,769	-
Payments for repurchase of treasury shares	(1,159)	(3,326)
Proceeds from borrowings	10,426,775	6,246,077
Payments to settle loan principals	(6,233,113)	(5,521,686)
Payments of lease liabilities	(16,152)	-
Payments of dividends	(7,836,251)	(7,256,172)
Net cash used in financing activities	(3,532,131)	(6,535,107)
Net cash flows during the year	1,146,076	559,987
Cash and cash equivalents at the beginning of the year	1,522,610	963,336
Effect of exchange rate fluctuations on cash and cash equivalents	(1,896)	(1,230)
Currency translation differences	(1,595)	517
Cash and cash equivalents at the end of the year	2,665,195	1,522,610

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Floor 11, Tower B, Handi Resco Tower, 521 Kim Ma Street, Ngoc Khanh Ward, Ba Dinh District, Ha Noi

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2. DA NANG BRANCH

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3. CAN THO BRANCH

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BRANCHES

1. CAN THO DAIRY FACTORY

Lot 46, Tra Noc I Industrial Park, Tra Noc Ward, Binh Thuy District, Can Tho City

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4. SAIGON DAIRY FACTORY

Lot 1-18, Block G1, Tan Thoi Hiep Industrial Park, Road No. 80, Hiep Thanh Ward, District 12, Ho Chi Minh City

Tel: (+84. 28) 62 528 555 **Fax:** (+84. 28) 37 176 353

7. VIETNAM DAIRY FACTORY

Lot A4,5,6,7-CN, NA7 Street, My Phuoc 2 Industrial Park, My Phuoc Ward, Ben Cat District, Binh Duong Province

Tel: (+84. 274) 3 559 988 **Fax:** (+84. 274) 3 559 960

10. BINH DINH DAIRY FACTORY

87 Hoang Van Thu Street, Quang Trung Ward, Quy Nhon City, Binh Dinh Province

Tel: (+84. 256) 6 253 555 **Fax:** (+84. 256) 3 746 065

2. TRUONG THO DAIRY FACTORY

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

Tel: (+84. 28) 62 527 555 **Fax:** (+84. 28) 38 966 884

5. DIELAC DAIRY FACTORY

Bien Hoa 1 Industrial Zone, Hanoi Highway, An Binh Ward, Bien Hoa City, Dong Nai Province

Tel: (+84. 251) 6 256 555 **Fax:** (+84. 251) 3 836 015

8. VIETNAM BEVERAGES FACTORY

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Tel: (+84. 274) 3 556 839 **Fax:** (+84. 274) 3 556 890

11. NGHE AN DAIRY FACTORY

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Tel: (+84. 238) 6 259 555 **Fax:** (+84. 238) 3 824 717

3. THONG NHAT DAIRY FACTORY

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6. VIETNAM POWDERED MILK FACTORY

9 Liberty Avenue, Vietnam, Singapore Industrial Park 1, Binh Hoa Ward, Thuan An Town, Binh Duong Province.

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9. DA NANG DAIRY FACTORY

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12. TIEN SON DAIRY FACTORY

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

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13. LAM SON DAIRY FACTORY

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16. AN KHANG CLINIC

184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City

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14. HCM WAREHOUSING AND TRANSPORTATION SERVICES ENTERPRISE

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

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15. HN WAREHOUSING AND TRANSPORTATION SERVICES ENTERPRISE

Km 10, National Highway No. 5, Duong Xa Ward, Gia Lam District, Hanoi City

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17. CU CHI RAW MILK CENTER

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4. ASIA COCONUT PROCESSING JOINT STOCK COMPANY

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Tel: (+84. 275) 3 656 999 **Fax:** (+84. 275) 3 626 999 **Website:** www.acp.com.vn

2. THONG NHAT THANH HOA DAIRY COW ONE MEMBER CO., LTD.

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5. APIS CORPORATION

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Tel: ((+84. 274) 54 165 166 **Fax:** (+84. 274) 54 111 066 **Website:** www.apis-corp.com

3. VIETNAM SUGAR JOINT STOCK COMPANY

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Website: www.vietsugar.com.vn

6. GTNFOODS JOINT STOCK COMPANY

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1. DRIFTWOOD DAIRY HOLDING CORPORATION

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2. VINAMILK EUROPE LIMITED COMPANY

Gwiazdzista 7a/4, 01-065 Warszawa, Poland

Tel: (+48) 22 118 59 76 Fax: (+48) 22 416 48 29 Website: http://vinamilk.pl

3. ANGKOR DAIRY PRODUCTS CO., LTD.

Lot P2-096 and P2-097, Phnom Penh Special Economic Zone, National Highway 4, Khan PoSenChey, Phnom Penh Capital, Cambodia

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4. MIRAKA HOLDINGS 5. LAO-JAGRO DEVELOPMENT LIMITED XIENGKHOUANG LIMITED

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