



ANNUAL REPORT 2018



Highlights in 2018

 **0.9%**
total dairy market share of
Vinamilk in Vietnam increased

Net revenue
52,629
VND billion

85% consolidated net revenue from domestic **15%** consolidated net revenue from overseas

Profit before tax
12,052 VND billion

Profit after tax
10,206 VND billion

 **18**
new products

in product categories of liquid milk, powdered milk, eating yoghurt, drinking yoghurt, nutritious cereal, soya milk, ice-cream, beverages, etc.

Export to
nations and regions in 2018

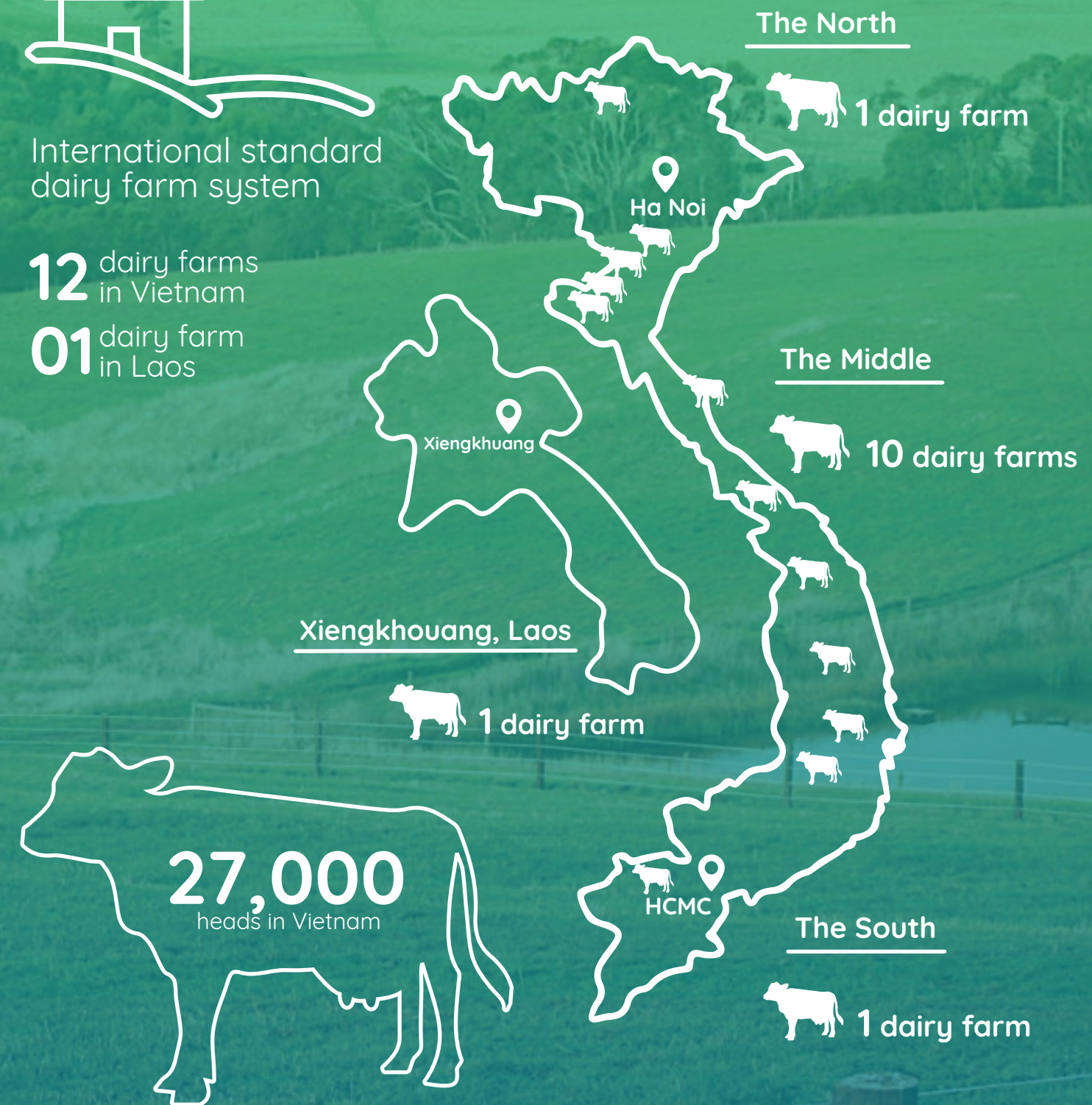
40



International standard
dairy farm system

12 dairy farms
in Vietnam

01 dairy farm
in Laos



*Total cow heads (as of December 31 2018)

Merged a new company
Lao-Jagro Development Xiengkhouang Co., Ltd.



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Abbreviations

Vinamilk	: Vietnam Dairy Products Joint Stock Company
AGM	: Annual General Meeting
BOD	: Board of Directors
BOM	: Board of Management
SC	: Strategy Committee
AC	: Audit Committee
RC	: Remuneration Committee
NC	: Nomination Committee
APEC	: Asia-Pacific Economic Cooperation
BS TNTH	: Thong Nhat Thanh Hoa Dairy Cow One Member Co. Ltd.,
BSVN	: Vietnam Dairy Cow One Member Co. Ltd.,
CAGR	: Compound annual growth rate
CG	: Corporate Governance
Co.,	: Company
ESOP	: Employee Share Ownership Plan
GRI	: Global Reporting Initiative
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
PCI	: Provincial Competitiveness Index
R&D	: Research & development
ROA	: Return on Assets
ROE	: Return on Equity
SCIC	: State Capital Investment Corporation
SDGs	: Sustainable Development Goals
SSC	: State Securities Commission Of Vietnam
TNTH	: Thong Nhat Thanh Hoa
VAS	: Vietnam Accounting Standards





GENERAL INFORMATION

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MESSAGE FROM CHAIRWOMAN

Mrs. LE THI BANG TAM
Chairwoman

“2018, the second year of the 5-year strategy 2017-2021 has ended with Vinamilk overcoming challenges and continuing to consolidate its leading position with encouraging revenue and profit results.”



VISION

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



MISSION

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



Dear Shareholders

With numerous changes and fluctuations in the global politics and society and their impacts on the business environment, 2018 has been a difficult year, especially for the consumer goods sector. However, Vietnam's economy has prospered with economic growth exceeding expectations and positive developments in various fields. In that challenging context, thanks to the efforts of the Board of Management (“BOM”) and the entire staff as well as the direction and coordination of the Board of Directors (“BOD”), Vinamilk has overcome challenges, continued to maintain its leading position with total market share increased by 0.9% and recorded business results of 2018 with encouraging revenue and profit results.

In 2018, Vinamilk also won many awards that recognized its continuous efforts in pursuing sustainable development. The reputation of Vinamilk as a national brand has always been retained in the eyes of consumers; the brand value has been enhanced and remained among the top and the Company continued to be one of the biggest taxpayers in Vietnam. Regarding corporate governance, Vinamilk was regarded by domestic and foreign financial institutions as one of the five best companies in exercising corporate governance practice as fully complying with transparency in harmonizing the interests between shareholders, employees, and the development of the Company. Therefore, the Company has received remarkable awards in sustainable development reporting and topped the list of best places to work in Vietnam, which also proves Vinamilk's efforts, perseverance and success with its chosen path.

At the end of 2018, Vinamilk was proudly selected to execute the largest school milk program in Hanoi. This event encouraged Vinamilk to continue pursuing the school milk programs throughout provinces to bring Vietnamese children new stature and wisdom.

The year 2019 has started with unpredictable changes in the economy, politics and society, both at home and abroad, which might certainly have great impacts on many industries and introduce new challenges to the business environment. The BOD is aware of this reality and will, together with the BOM, lead Vinamilk to overcome challenges, to grow and to achieve the goals set out in the 5-year plan 2017 - 2021. Given all the achievements gained, looking towards the future with a spirit of “Change to grow”, Vinamilk will step into 2019 with main tasks as follows:

- Maintaining the leading position in bringing high value to shareholders.
- Attaining efficient growth in domestic market and making breakthroughs in international markets.
- Making appropriate investments in human resources and effective operational processes.

With a clear business strategy that is realized with specific action plans carried out by a team of talented, determined and openly cooperative executives and staff, the BOD believes that Vinamilk will surely overcome all challenges and achieve all the goals set out.

On the occasion of the new year 2019, on behalf of the BOD, I would like to express my sincere gratitude to the BOM and the entire executives and staff for their efforts and dedication in 2018, to valued customers for their trusts and supports as well as to partners and shareholders for their beings with the Company. I would like to wish valued customers, shareholders, partners and the entire executives and staff of Vinamilk a happy new year with health, happiness and prosperity.

Ho Chi Minh City, 28th February 2019
Chairwoman

Le Thi Bang Tam

Message from the CEO



Mrs. MAI KIEU LIEN
CEO

“Vinamilk has always been a pioneer in product research and development to introduce the most popular, nutrient-dense or organic products”

Dear Shareholders,

2018 has ended with various fluctuations that have affected the Company's business performance both positively and negatively, among which was the abnormal decline of the consumer goods industry in general and the dairy industry in particular. The BOM has fully executed the business strategies of the BOD. However, with main influencing factors being objective reasons from the market, the Company's business results in 2018 did not meet expectations. Specifically, the consolidated revenue only increased by nearly 3% and the consolidated after-tax profit slightly decreased by 0.7% compared to 2017. Nonetheless, Vinamilk's market share continued to increase by 0.9% and the Company has successfully maintained its leading position in the dairy industry.

Nevertheless, the BOM found that the decline of the dairy industry in 2018 was a short-term nature and it is expected that Vietnam's dairy industry still has plenty of room for sustainable growth in the long term, thanks to the following reasons:

- Vietnam's average milk consumption per capita is only about 19 kg of milk/person/year, which is quite low compared to other countries in the region, such as China at 22.5 kg, Malaysia 26.7 kg, Thailand 31.7 kg and South Korea 40.1 kg, according to Euromonitor.
- Dairy products are increasingly popular and trusted by consumers in Vietnam;
- The country's population is over 97 million people with a youth-dominated population structure;

Vinamilk has always been a pioneer in product research and development to introduce the most popular, nutrient-dense or organic products. Under that philosophy, in 2018 Vinamilk launched outstanding products such as Greek yogurt, black rice yogurt, organic yogurt, walnut soybean milk, 100% A2 fresh milk, etc. These products have contributed to enrich Vinamilk's product portfolio and are in line with the domestic, regional and global trends in milk consumption.

The operation of Vinamilk dairy farms also created a highlight in 2018 with i) doubling the scale of the organic dairy farm in Dalat from 500 to 1,000 cow heads, ii) starting the organic dairy farm in Thanh Hoa with a scale of 2,000 cow heads, iii) investing in a 51% share in Lao-Jagro Xiengkhuang Development Co., Ltd to develop an organic dairy farm of 4,000 cow heads (phase 1) in Laos. Especially for the first time in Vietnam, Vinamilk has imported purebred A2 dairy cows from New Zealand to develop the A2 dairy farm in Vietnam. Vinamilk has contributed to changing the face of the Vietnamese dairy industry and helped farmers to transform dairy farming into a more efficient business.

In addition, Vinamilk's tradition of corporate responsibility to the community and society continues to be promoted. All aspects of the Company's production and business activities are heading towards sustainable and environmentally friendly development.

Entering 2019, the BOM found that dairy demand began to show more encouraging signs of recovery. The BOM and the entire Vinamilk's staffs have made specific action plans in each specific value chain with a cultural motto of “CHANGE TO GROW”, aiming to execute the strategy approved by the BOD towards new success in the new year of the Pig.

Wish shareholders health, happiness and prosperity.

Ho Chi Minh City, February 28, 2019
CEO

Mai Kieu Lien

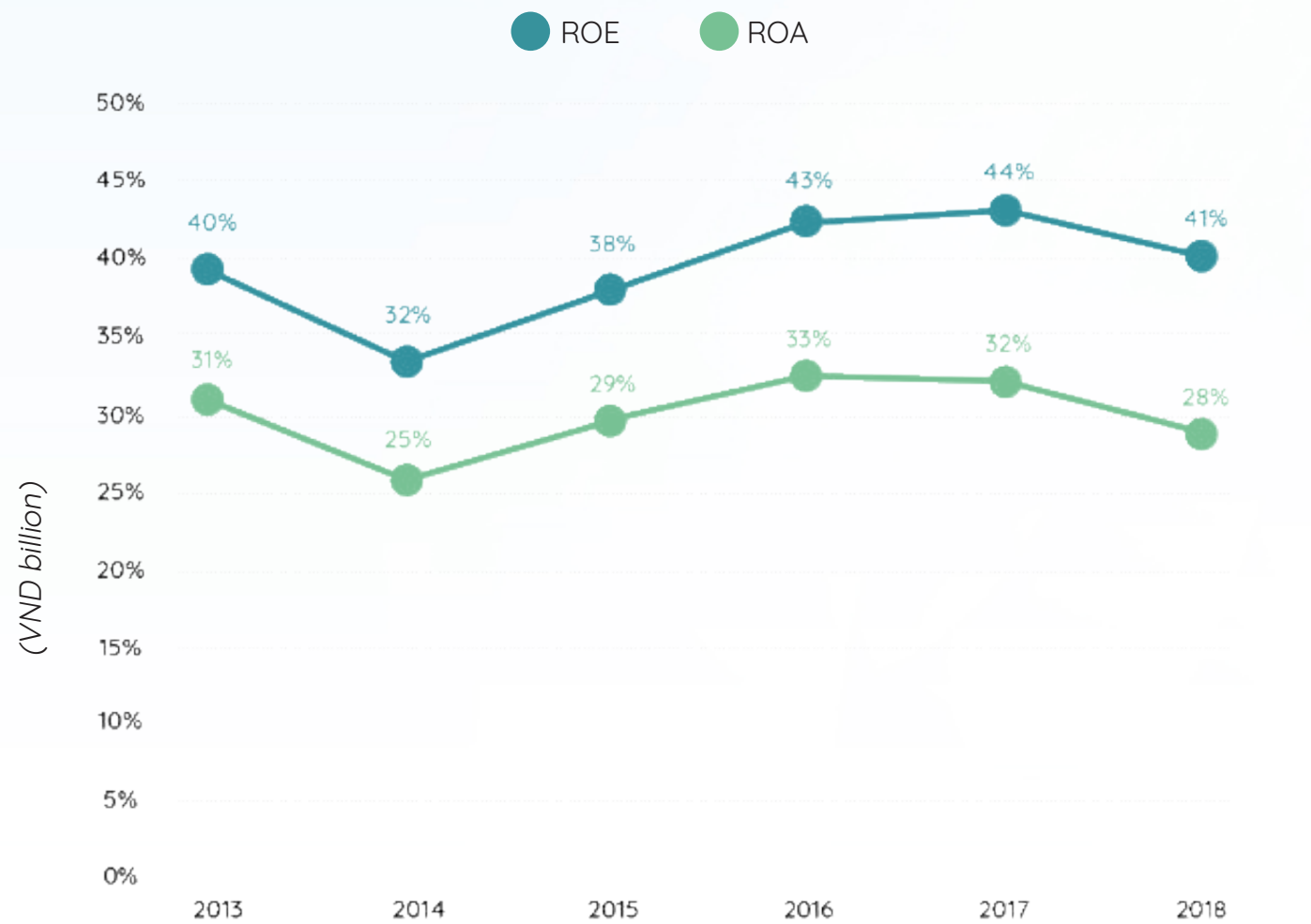
CHANGE TO GROW

FINANCIAL HIGHLIGHTS 2013 - 2018

Key financial highlights (Consolidated financial data - audited)

(VND billion)	2013	2014	2015	2016	2017	2018
Total revenue	31,586	35,187	40,223	46,965	51,135	52,629
Profit before tax	8,010	7,613	9,367	11,238	12,229	12,052
Profit after tax	6,534	6,068	7,770	9,364	10,278	10,206
EBITDA	8,797	8,686	10,495	12,475	13,558	13,730
Profit attributable to equity holders of the Company	6,534	6,069	7,773	9,350	10,296	10,227
EPS (VND)	6,533	4,556	4,864	5,831	5,296	5,295
Total assets	22,875	25,770	27,478	29,379	34,667	37,366
Equity	17,545	19,800	20,924	22,406	23,873	26,271
Share capital	8,340	10,006	12,007	14,515	14,515	17,417
Total liabilities	5,307	5,970	6,554	6,973	10,794	11,095
Equity/ Total assets	77%	77%	76%	76%	69%	70%
Total liabilities/ Total assets	23%	23%	24%	24%	31%	30%
ROE	40%	32%	38%	43%	44%	41%
ROA	31%	25%	29%	33%	32%	28%

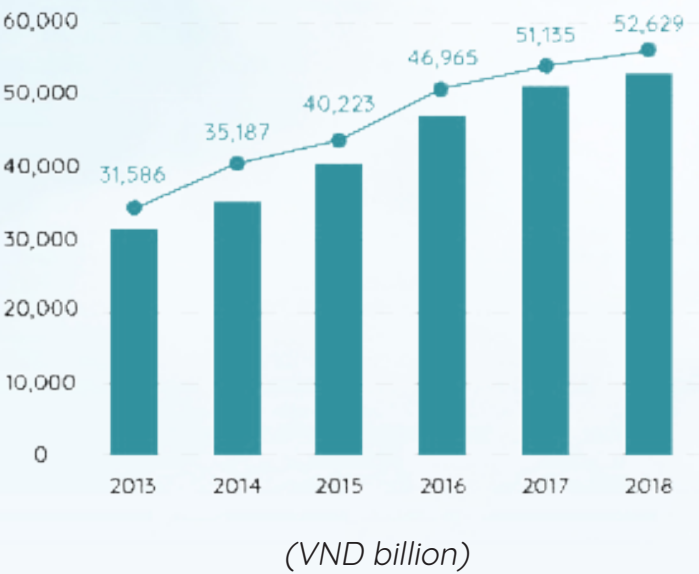
ROA AND ROE



Total revenue and profit after tax

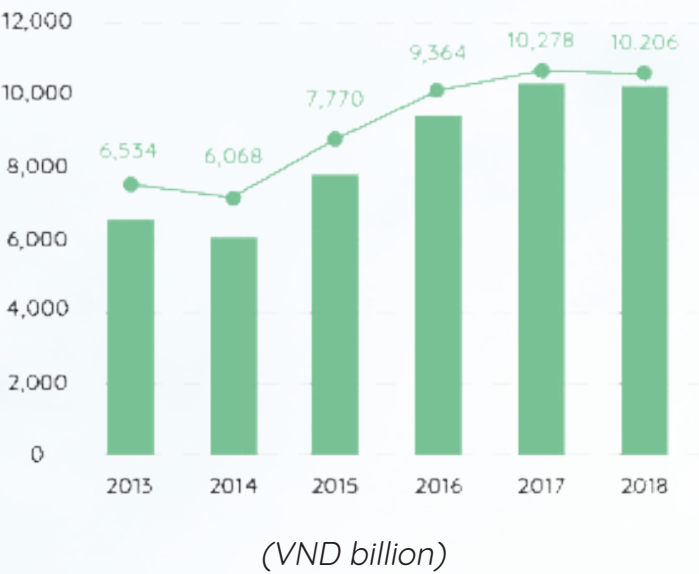
Total revenue

CAGR = 10.8%

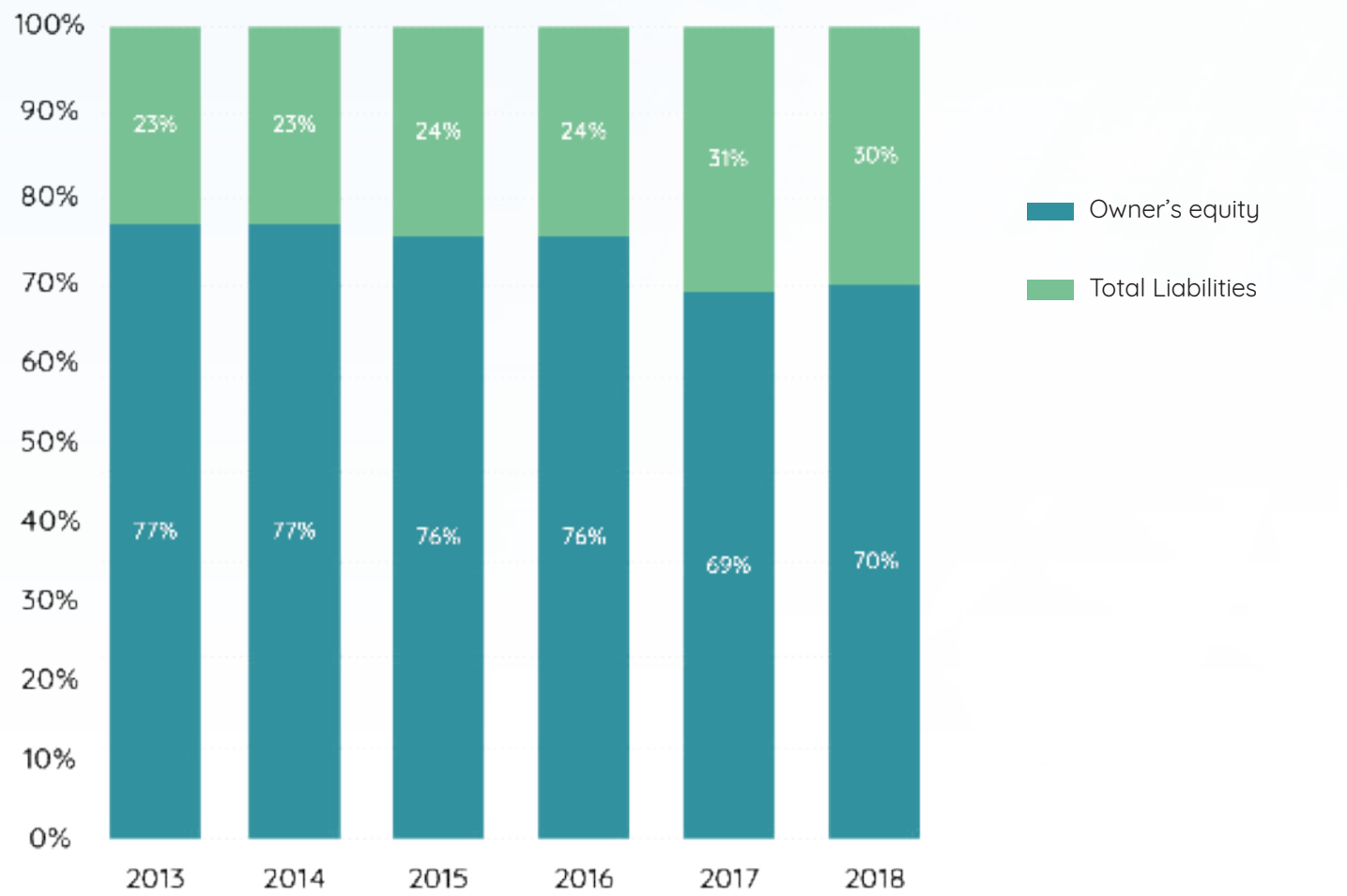


Profit after tax

CAGR = 9.3%



Owners' equity / Total liabilities structure





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VINAMILK IN THE REVIEW

Since its journey commencing in 1976, Vinamilk has continuously developed production capacity and expanding operation markets.

1976

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

1994

Ha Noi 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.

2001

Can Tho dairy factory was inaugurated and put into operation.

2003

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.

2010

+ Vinamilk contributed USD 10 million, as equivalent to 19.3% of the associate's share capital. In 2015, Vinamilk raised its share capital in the subsidiary, Miraka Holdings Ltd., to 22.81%.
+ Vietnam beverage factory was inaugurated and put into operation.

2008

Tien Son dairy factory was inaugurated and put into operation.

2007

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.

2012

Da Nang dairy factory was inaugurated and put into operation.

2013

+ 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 acquired 70% share capital of Driftwood Dairy Holding Corporation in California, USA and officially owned 100% of stake in May 2016.

2014

+ 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.

2016

+ Contributed 18% share capital of APIS JSC as to expand and broaden goods supply chain of Vinamilk.

2017

+ Cu Chi Raw Milk Center came into operation.
+ Invested in sugar industry by acquiring 65% share capital of Vietnam Sugar JSC (formerly known as Khanh Hoa Sugar JSC)
+ Acquired 25% share capital of Asia Coconut Processing JSC.

2018

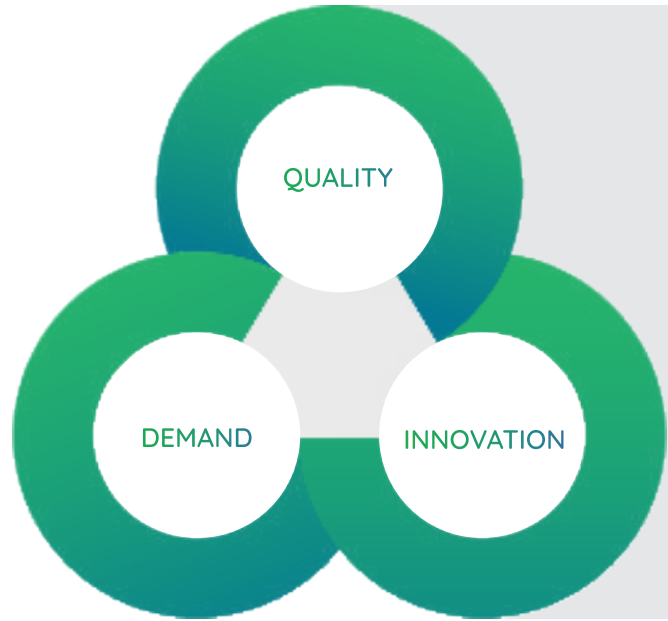
+ The first company in Vietnam to produce A2 milk.
+ Invested a 51% share of Lao-Jagro Development Xiengkhuang Co., Ltd.

Core values



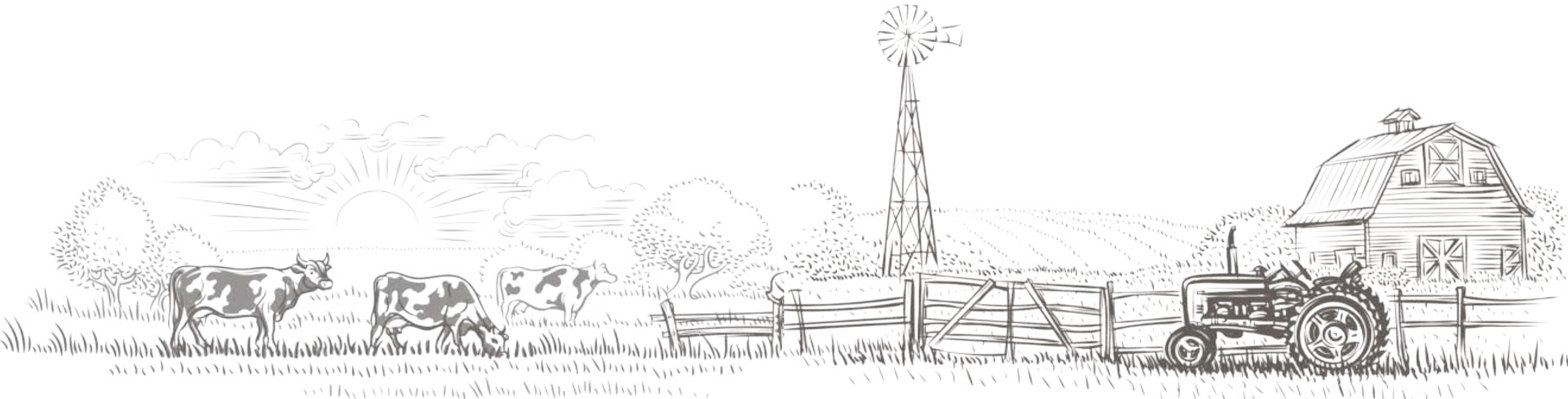
Business philosophy

Vinamilk desires to become one of the most favourite brands in every region and territory. Therefore, we keep in our mind and our heart that the quality and innovation are always our most important companions. We act with customer-centered approach and commit to respond to all their needs.



Quality Policy

Always satisfy and be responsible for consumers' needs by diversifying products and services, assuring quality, food safety with competitive price, respecting the business ethics and complying with laws.



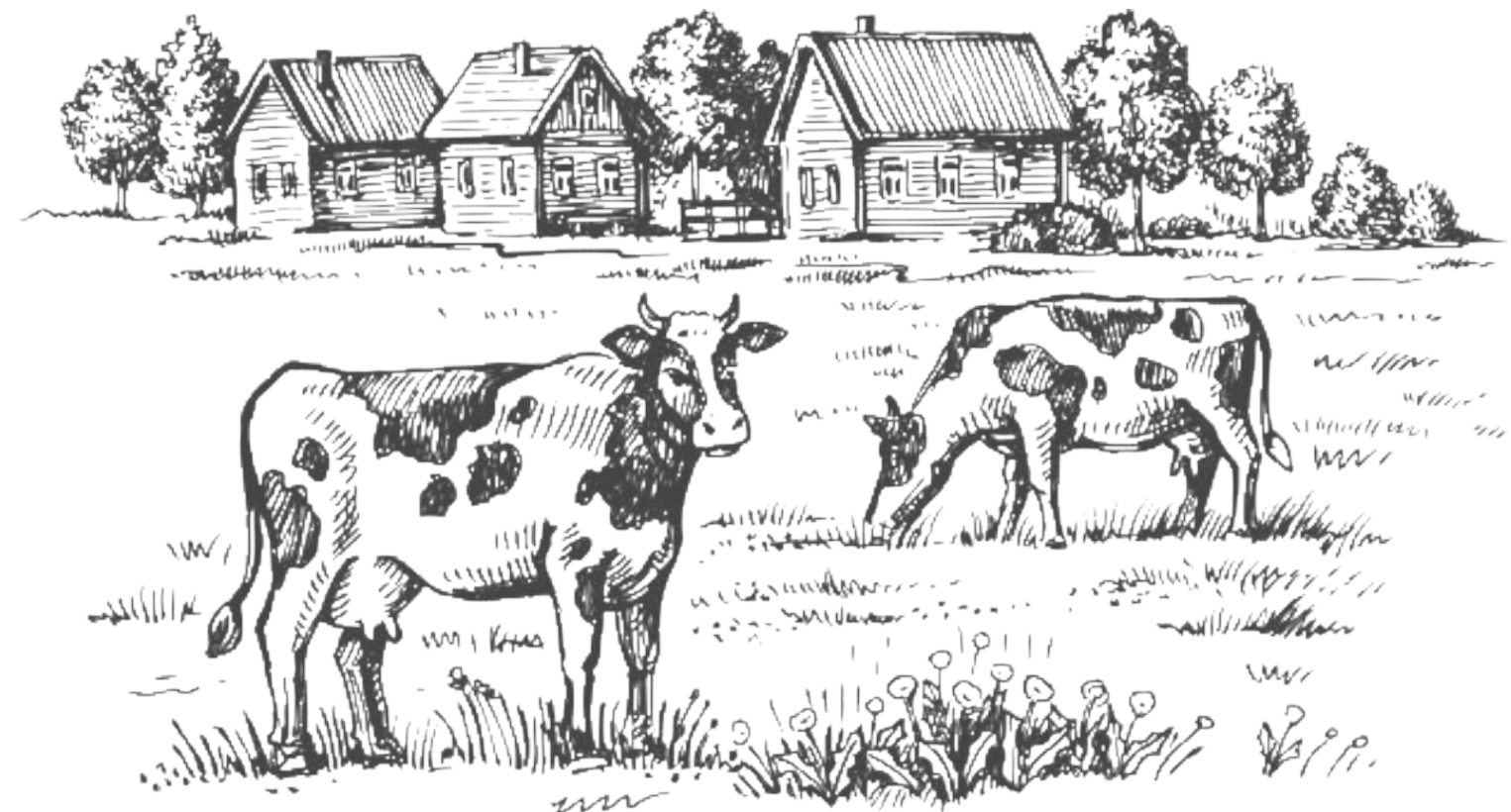


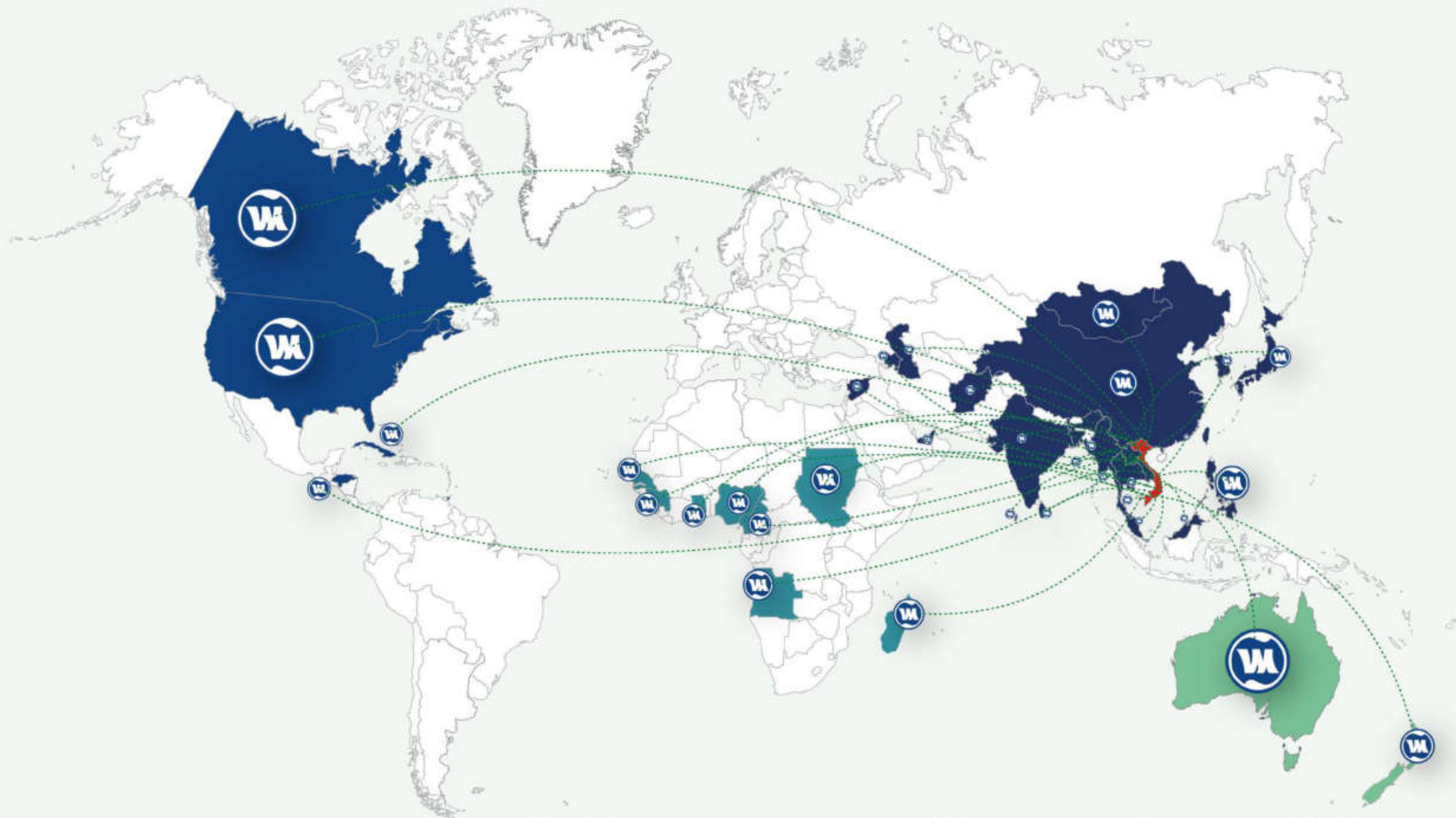
Always striving to realize
"Stand tall Vietnam - Rise in the world!"

IN 2018, VINAMILK'S PRODUCTS ARE AVAILABLE
IN 40 COUNTRIES AND REGIONS

FLIP TO UNLOCK

Diversification with more than 250 SKUs
and main product categories:





FRESH MILK 100%



FORTIFIED MILK



DAILY NUTRITION UHT MILK



PREMIUM



Optimum Gold



Optimum Comfort



Optimum Mama Gold

SPECIALTY



Dielac Grow Plus Red



Dielac Grow Plus Blue



Dielac Grow



Dielac Pedia

MAINSTREAM



Dielac Alpha Gold



Dielac Alpha



Dielac Mama Gold

ÊM BỤNG, NGỦ NGON,
THÔNG MINH, CHÓNG LỚN



POWDERED MILK FOR ADULTS



BABY CEREAL



This advertisement features three young boys in red shirts and white shorts running joyfully across a lush green field under a clear blue sky. In the bottom left corner, two cans of Vinamilk Grow Plus baby formula are displayed. A gold seal above the cans reads "ĐÃ ĐƯỢC CHỨNG NHẬN LÂM SÀNG" (Clinically Proven) with three stars. Another gold seal next to the cans states "9 TỶ LỢI KHUẨN PROBIOTICS" (9 Billion Probiotics). The bottom right corner contains the text "HẤP THU KHỎE, BÉ TĂNG CÂN Chỉ sau 3 tháng*" (Healthy Absorption, Baby Gains Weight after 3 months*).

PREMIUM



PREMIUMN SPECIALTY



MAINSTREAM



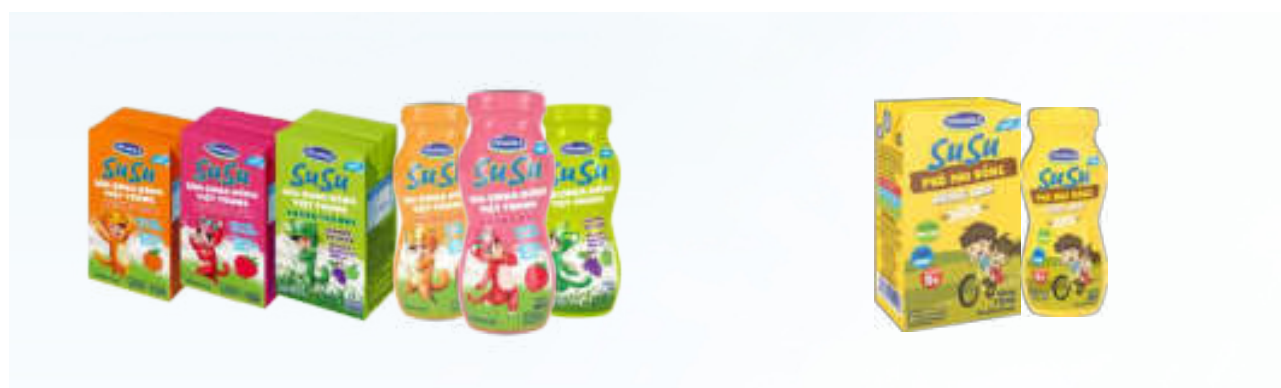
FOR CHILDREN



PROBI YOGURT BOOSTS IMMUNE SYSTEM



SUSU DRINKING YOGURT AND DRINKING CHEESE



VINAMILK DRINKING YOGURT FOR WOMEN



SUPER SUSU COCOA MALT TONIC FOOD DRINK



TĂNG CƯỜNG ĐỀ KHÁNG KHÔNG LO CẢM CÚM

Hàng tỷ
lợi khuẩn

CONDENSED MILK



Southern Star



Ong Tho

Fortune

ICE - CREAM



Vinamilk



Twin Cows



Nhoc Kem



Subo Ice-cream



YOLO



Delight



SOYA MILK



Walnut Soya milk

Vinamilk Soya Milk

FRUIT JUICES & BEVERAGES



100% Fruit Juices

Necta Fruit Juices

Artichoke Vfresh

Vfresh Aloe Vera

ICY Salty Lemonade

ICY Purified water

Vfresh Smoothies



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:

31st December

Independent auditor:

KPMG Limited Vietnam

Dividend policy:

Not less than 50% of profit after tax

Adjusted Close Share price

(from 01/01/2018 to 31/12/2018):

LOW
113,378
VND / share

HIGH
173,788
VND / share

Investor relations contact:

- Investor Relations Function – 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: 108401
- Email: tcson@vinamilk.com.vn
- Website: <https://www.vinamilk.com.vn/>
<https://www.giacmosuaviet.com.vn/>
<https://www.youtube.com/user/vinamilk>

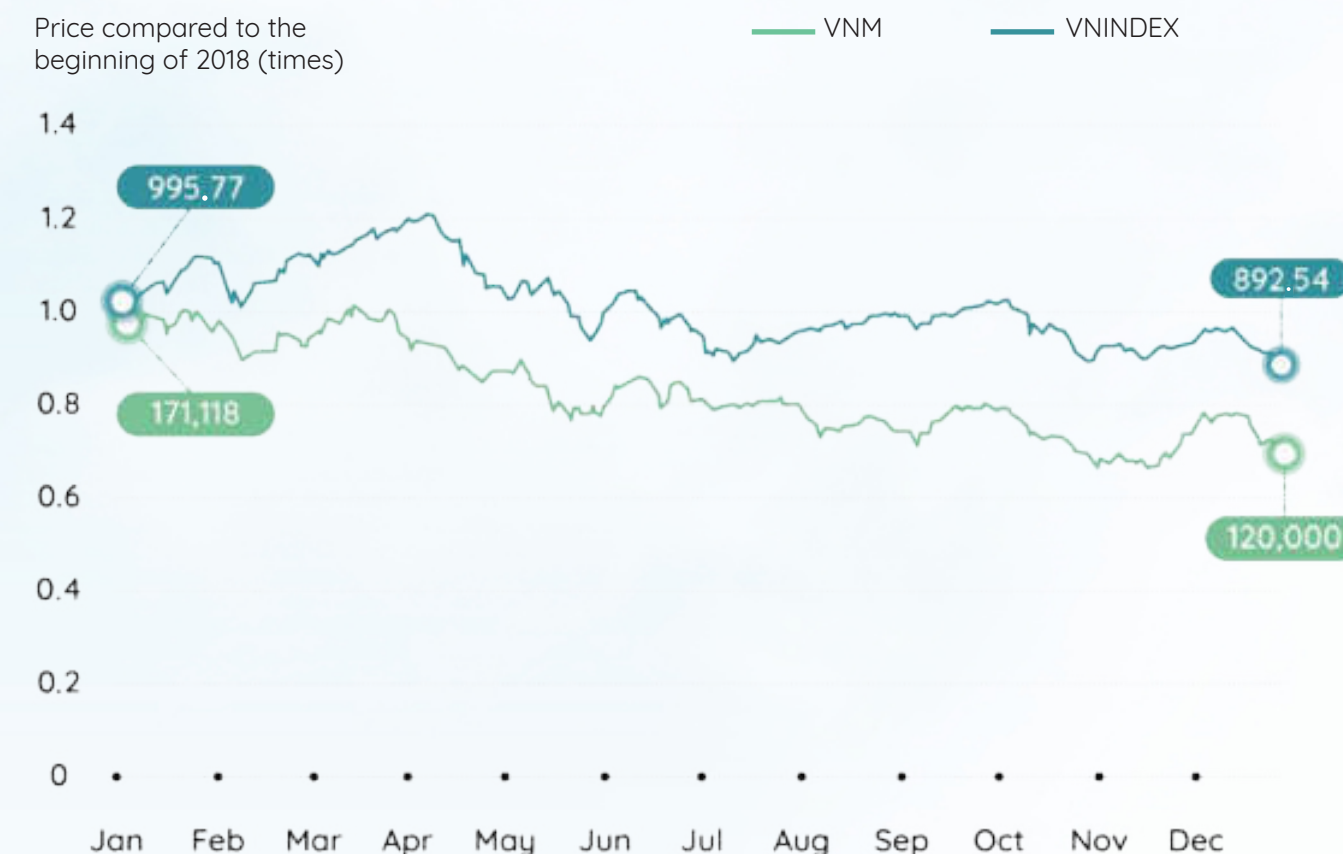
o Investor relations' Website:

<https://www.vinamilk.com.vn/en/lien-he-thong-tin-co-dong>



Vinamilk's share price ("VNM") performance vs VN-Index .

(adjusted close price from 1/1/2018 to 31/12/2018)

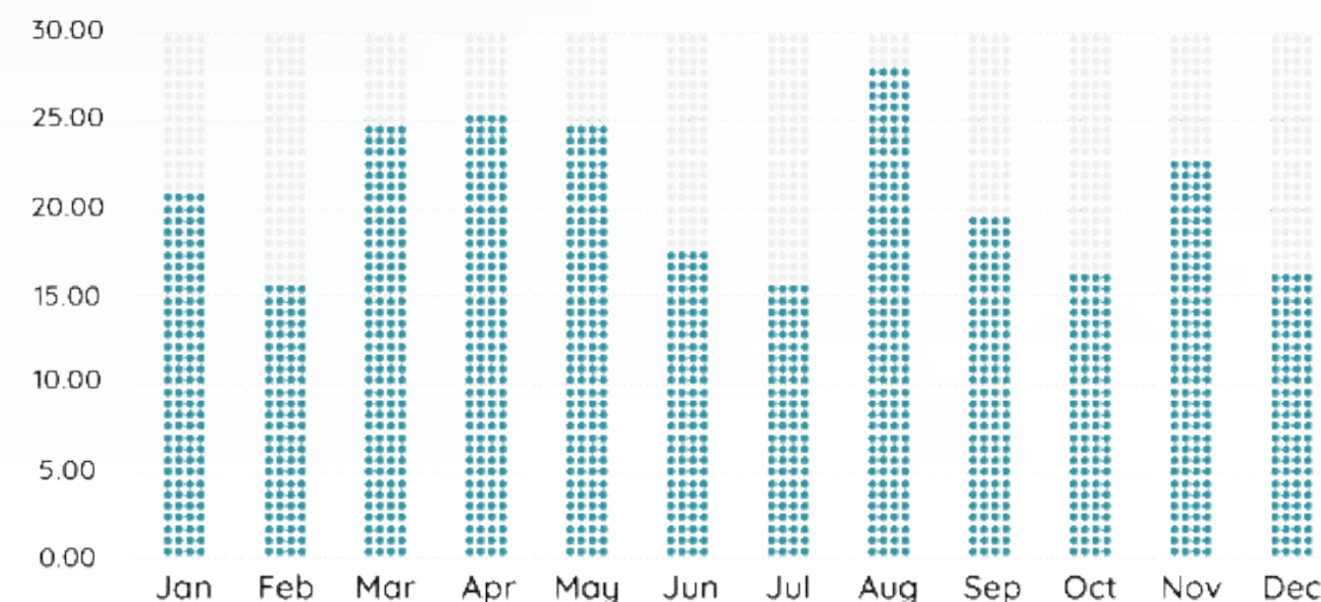


* The company issued bonus shares with the ratio of 1:5. The share price above was adjusted following issuance.

Vinamilk's monthly trading volume

(not include trading volume of transaction agreements)

(Unit: million shares)



Shares and shareholder structure:

As at 31/12/2018, number of shares of the Company as follows:

Authorized share capital	: 17,416,877,930,000 VND.
Contributed share capital	: 17,416,877,930,000 VND.
Total issued and listed shares	: 1,741,687,793 shares.
Treasury shares	: 276,210 shares.
Outstanding shares	: 1,741,411,583 shares.
Class of shares	: common shares.
Par value	: 10,000 VND / share.
Market capitalization	: 208,969 billion VND.

List of the Company’s shareholders structure

(based on the latest shareholder list as of December 28 2018)

	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	276,210	0.02%
Other shareholders (<5%)	580,943,924	33.35%
Local	83,058,931	4.76%
Foreign	497,884,993	28.59%
TOTAL	1,741,687,793	100.00%
In which:		
Local	710,398,976	40.79%
Foreign	1,031,288,817	59.21%

List of major shareholders

(based on the latest shareholder list as of December 28 2018)

	Number of shares	Ownership (%)
SCIC	627,063,835	36.00%
F&N Dairy Investments Pte Ltd (1)	301,496,383	17.31%
F&NBev Manufacturing Pte, Ltd (1)	47,026,980	2.70%
Platinum Victory Pte, Ltd	184,880,461	10.62%

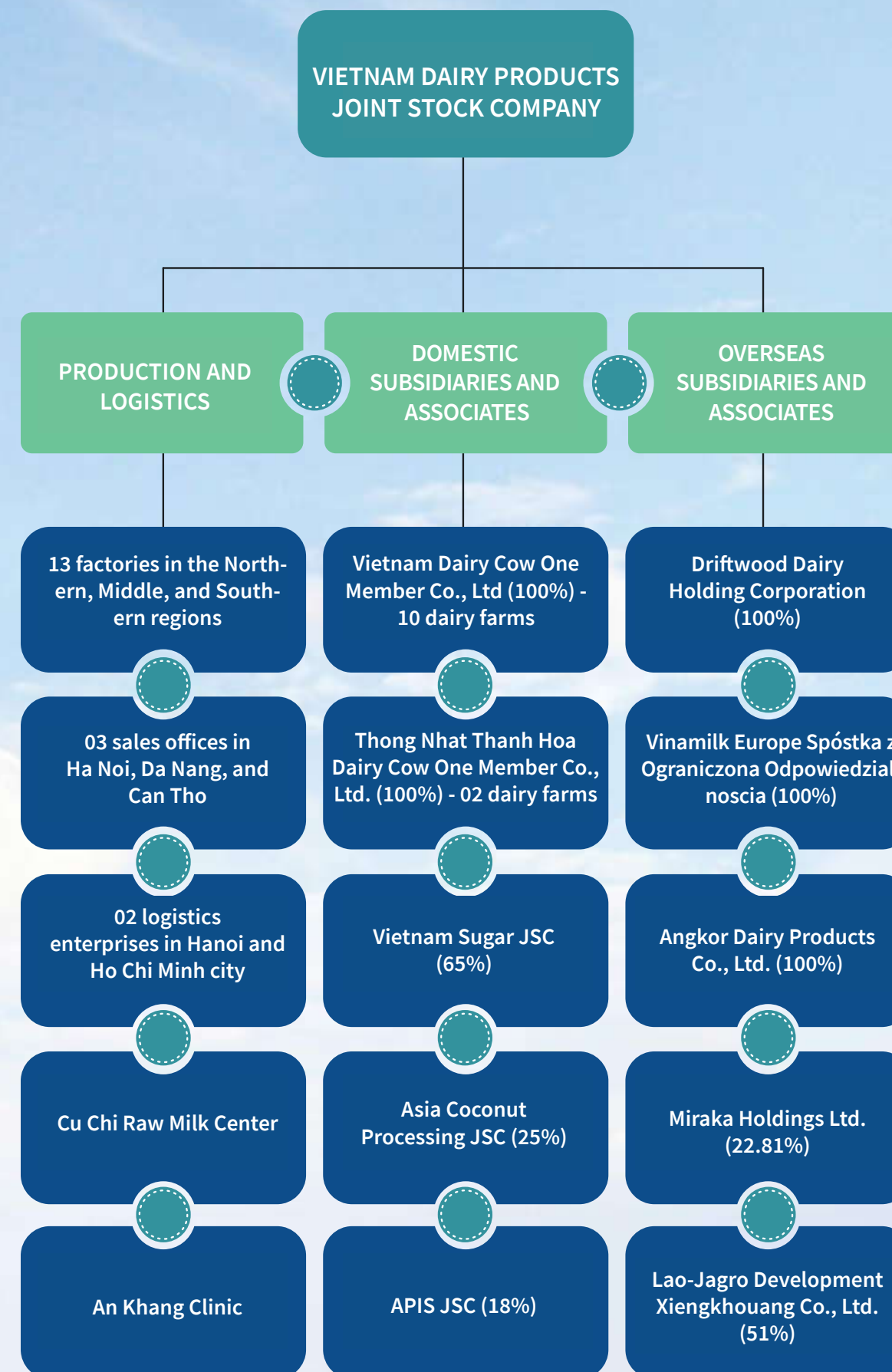
Note: (1) F&NBev Manufacturing Pte, Ltd is a wholly-owned subsidiary of F&N Dairy Investments Pte, Ltd

Top 20 largest shareholders

(based on the latest shareholder list as of December 28 2018)

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%
3. Platinum Victory Pte. Ltd	184,880,461	10.62%
4. F&NBev Manufacturing Pte. Ltd	47,026,980	2.70%
5. Matthews Pacific Tiger Fund	34,361,440	1.97%
6. Arisaig Asia Consumer Fund limited	28,800,652	1.65%
7. The Emerging Markets Fund of the Genesis Group Trust For Employee Benefit Plans	21,205,179	1.22%
8. The Genesis Emerging Markets Investment Company	20,419,300	1.17%
9. Deutsche Bank AG London	19,273,408	1.11%
10. Vietnam Ventures Ltd	17,217,016	0.99%
11. Matthews Asia Dividend Fund	15,811,294	0.91%
12. Government of Singapore	15,017,385	0.86%
13. Vietnam Enterprise Investments Limited	12,589,607	0.72%
14. Citi Group Global Markets Ltd	11,392,768	0.65%
15. Stichting Depository APG Emerging Markets Equity Pool	10,865,869	0.62%
16. Employees Provident Fund Board	9,961,934	0.57%
17. Oppenheimer Developing Markets Fund	7,394,680	0.42%
18. Norges Bank	7,142,888	0.41%
19. BMO Investments II (Ireland) Public Limited Company	6,761,444	0.39%
20. Morgan Stanley and Co.International Plc	6,444,312	0.37%
TOTAL	1,405,126,835	80.68%

Corporate model



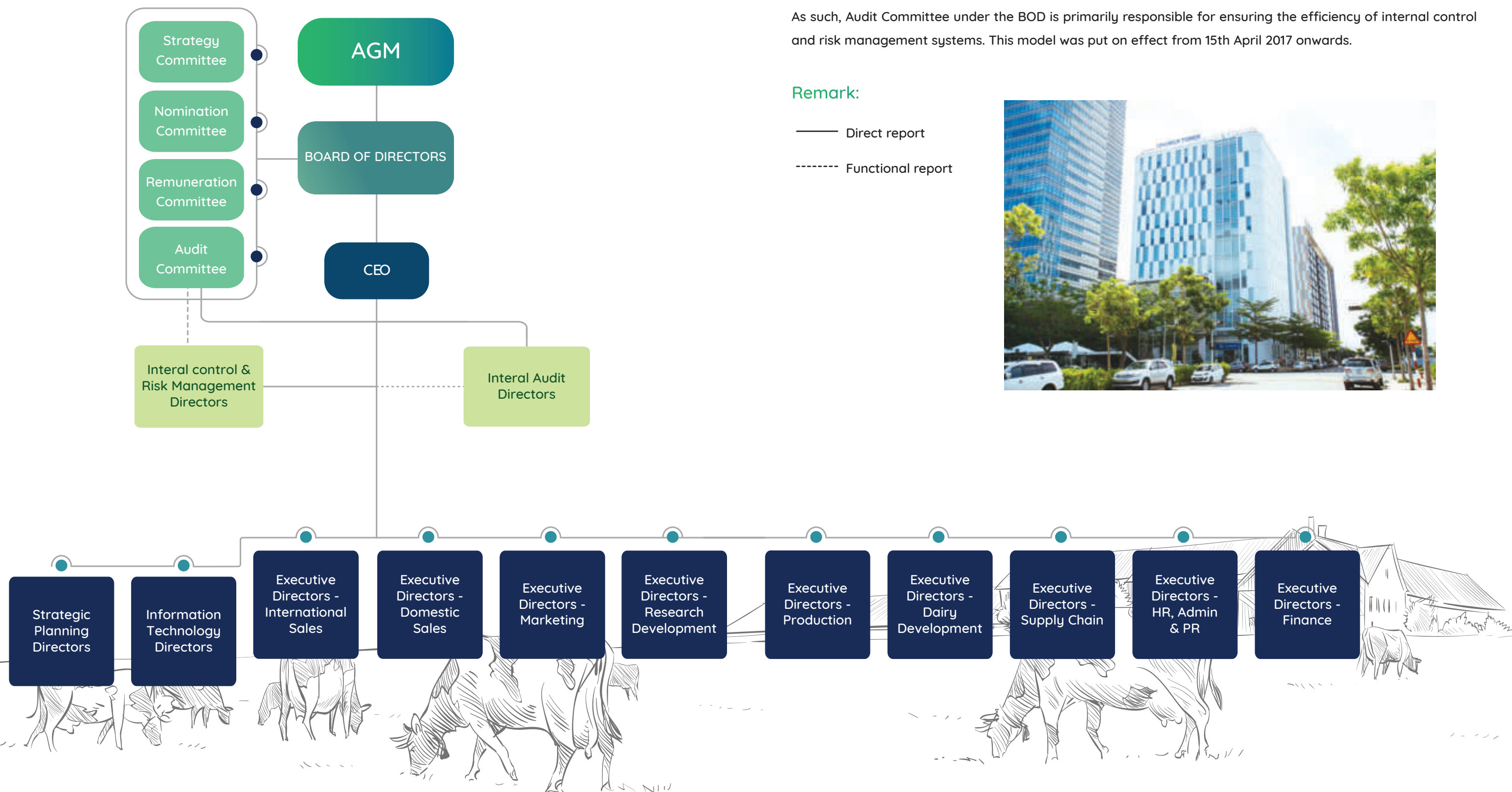
Organizational apparatus

Vinamilk was the first company in Vietnam pioneering in applying advanced management model (no Inspection Committee).

As such, Audit Committee under the BOD is primarily responsible for ensuring the efficiency of internal control and risk management systems. This model was put on effect from 15th April 2017 onwards.

Remark:

- Direct report
- - - - - Functional report



The Board of Directors



MRS. LE THI BANG TAM

Chairwoman
Independent BOD member



Mrs MAI KIEU LIEN

Executive BOD member



Mr ALAIN XAVIER CANY

Non-Executive BOD member



Mr NGUYEN BA DUONG

Independent BOD member



Mrs DANG THI THU HA

Non-Executive BOD member



Mr DO LE HUNG

Independent BOD member



Mr LE THANH LIEM

Executive BOD member



Mr LEE MENG TAT

Non-Executive BOD member



Mr MICHAEL CHYE HIN FAH

Non-Executive BOD member



Mr NGUYEN CHI THANH

Non-Executive BOD member

The Board of Management



Mrs. MAI KIEU LIEN

Chief Executive Officer



Mr MAI HOAI ANH

Executive Director
International Sales



Mr TRINH QUOC DUNG

Executive Director
Dairy Development



Mrs NGUYEN THI THANH HOA

Executive Director
Supply Chain



Mrs BUI THI HUONG

Executive Director - HR
Admin and Public Relation



Mr NGUYEN QUOC KHANH

Executive Director-Research
and Development



Mr LE THANH LIEM

Executive Director - Finance, cum
Chief Accountant



Mr PHAN MINH TIEN

Executive Director - Marketing, cum
Managing Domestic Sales Department



Mr TRAN MINH VAN

Executive Director - Production

Profile of Directors and Key Management



MRS. LE THI BANG TAM

Chairwoman
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.

MRS. MAI KIEU LIEN

Executive BOD member
Chief Executive Officer

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

01

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 a 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 Committees 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

- Chairwoman, HD Bank

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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, Russia.
- 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 awarded 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" announced by Forbes for the first time (2018).
- 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 different departments at various factories and then became Deputy Technical Director at Thong Nhat dairy factory in 1982.

Her positions at other entities include

- Chairwoman, Vietnam Dairy Cow One Member Co., Ltd.
- Chairwoman, Thong Nhat Thanh Hoa Dairy Cow One Member Co., Ltd.
- BOD member, Driftwood Dairy Holding Corporation.
- Owner's representative, Vinamilk Europe Spółka Z Organizowana Odpowiedzialnoscia.
- Chairwoman, Lao-Jagro Development Xiengkhouang Co., Ltd.
- BOD member, Miraka Holdings Ltd.



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 additions, 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 French Officer of National Merit Order and Knight of Legion of Honour and 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 (2/2017).
- 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.

Experience

- 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 Ukraine (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 Cotecons group from 2002. In July 2017, he resigned from being CEO in order to focus on managing Cotecons 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 Forbes' Top 50 Best Leaders in Vietnam and also honoured in Nhip Cau Dau Tu magazine's Top 10 Best Employees Development Leaders in Vietnam.

His positions at other entities include

- Chairman, Cotecons 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 BOD member at Benovas Cancer Drugs JSC.
- She has been working at Investment Department of SCIC for 9 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 for her achievements in 2015.

Her positions at other entities include

- BOD member, 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

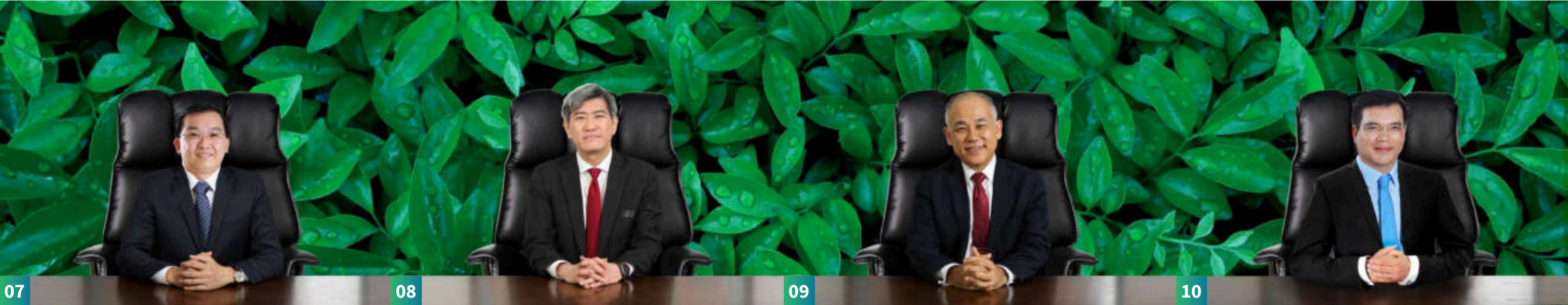
- Master of Public Finance and Degree of Public Management, National School of Administration, France.
- Certificate in Treasury Inspection, National Treasury School, France.
- Bachelor of Finance – Accounting, University of Finance and Accountancy, Hanoi.
- Certificates in Public Financial Management, Accounting, Auditing and Certificate in Public Financial Management and Advanced Auditing conferred by international organisations.

Experience

- He is a BOD member of Vietnam Institute of Directors (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.
- Previously, he had more than 11 years of working at Accounting – State Treasury at Specialist and Executive level.
- He received merit certificate from Prime Minister and many from the Ministry of Finance from 1997 to 2006.

His positions at other entities include

- BOD member, VIOD.



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 of 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 positions at other entities 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 institutions.
- 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 CHYE 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 1999.
- 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 an Alternate Director at Fraser and Neave Limited and a non-executive director at 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 Limited.
- Member of the Board Executive Committee and Risk Management Committee, Fraser and Neave Ltd.
- Non-Executive Director: Marketing Magic Pte Ltd, DECCO 235, Heritas Capital Management Pte Ltd, IMC Pan Asia Alliance Corporation, Prudence Holdings Ltd.

Mr. NGUYEN CHI THANH

Non-Executive BOD member

Born in 1972. He has been a non-Executive BOD member since March 2018.

Professional qualifications

- Master in Public Policy, National Graduate Institute for Policy Studies, Japan (2003).
- Bachelor of Art in Commercial Business, National Economics University (1994).

Experience

- Since 2015, he has been a Deputy General Director of SCIC.
- Previously, he has held many managerial positions at SCIC: Head of Investment Department 3, Director of SCIC Branch in the South (2013-2015); Head of Risk Management Committee (2010-2013); Deputy Head, Head of Strategy Committee (2006-2010).
- Prior to joining SCIC, he had 9 years of experience working at Head of Forex Management Division, State Bank of Vietnam.

His positions at other entities include

- Chairman, Hau Giang Pharmaceutical JSC.
- BOD member, Military Bank.



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 Administration, Bolton University, the United Kingdom (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 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 positions: 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 Development.
- 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 dairy factory.
- Prior to joining Vinamilk, he was Director of Electricity Industrial Consulting and Investment center in 6 years (1998 – 2005).
- From 1987 to 1998, he worked at 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

Professional qualifications

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

Experience

- Working at Vinamilk over 19 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 Truong 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 positions at other entities include

- BOD member, Vietnam Sugar JSC.

Mrs. BUI THI HUONG

Executive Director – HR, Admin and Public Relation

Born in 1962. She joined Vinamilk in 2005.

Professional qualifications

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

Experience

- She has been Executive Director – HR, Admin and Public Relation since 2015.
- During almost 10 years (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.

Professional qualifications

- Engineer in Chemical Techniques and Foods, University of Technology, Ho Chi Minh city, Vietnam (1989).
- 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 9 years working at Vinamilk (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 became Director of Can Tho dairy factory in 2004.

His positions at other entities include

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

Mr. PHAN MINH TIEN

Executive Director – Marketing, cum. Managing Domestic Sales Department

Born in 1970. He joined Vinamilk in 2014.

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 such as:
 - + 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 positions at other entities include

- BOD member, Duoc Hau Giang 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 management positions: Deputy General Director in charge of Project, Executive Director – Project.
- In 25 years from 1981 to 2006, he was in charge of many different positions at Vinamilk’s factories and then became Director of Thong Nhat dairy factory in 1994.



Company Secretariat

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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

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

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Mrs. LE QUANG 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 cooperation program between The International Institute of Social Sciences of Erasmus University, The Hague, Holland 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 (1998).
- Certificate of Corporate Governance.

Experience

- Since August 2015 until present, she has held the position of Director of Foreign Subsidiary Management.
- 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

- BOD member, Driftwood Dairy Holding Corporation.
- BOD member, Vinamilk Europe Spółka z Organizacja Odpowiedzialnoscia.
- Chairwoman, Angkor Dairy Productions Ltd., Co.
- BOD member, APIS JSC.
- BOD member, Vietnam Sugar JSC.

Internal Audit

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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 2006 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.



2018 Business Report

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The Board of Directors' report

Dairy market in 2018

The volatile and challenging world economic situation in 2018

In 2018, the world economy in general was affected by the US-China trade war breaking out in April. Tariffs and sanctions introduced by both sides throughout months of 2018 have raised investors' concerns about trade instability and the possibility of holding back economic growth prospects. The business confidence index as well as other aspects of the economy have also been affected in the short and medium term.



Besides, the ongoing Brexit issue between the UK and Europe has also created additional pressures and fears that on-going instabilities tend to become more stressful in developed economies which are the main driver of economic growth. The World Economic Outlook 2018 report by the International Monetary Fund has adjusted the world economic growth in 2018 and 2019 to 3.7%, 0.2% lower than the forecast in April 2018. The emerging and developing economic sectors are therefore inevitably affected.

FMCG's decreased growth in 2018

Under the influence of fluctuations in all aspects of the world economy, together with the transitions and changes in consumption habits, the FMCG industry did not grow as expected in 2018.

Kantar Worldpanel's report on the FMCG situation in Asia shows that the first three quarters of 2018 grew at an average of 0.5-5%. In particular, growth in the dairy industry was not very positive, 6 out of 10 of Kantar's evaluated countries recorded negative growth of less than 0.5%.



Vietnam's economy was generally stable in 2018 with GDP reaching 7.1% and positive economic indicators. The nation's per capita milk consumption was still low compared to other countries in the region. Meanwhile, demographic factors such as a large population with a high population growth rate, a youth-dominated population structure and an increasing middle-class income were still maintained.



However, the growth of the dairy industry presented an unpromising situation. Since the fourth quarter of 2017, the dairy industry had recorded negative growth, and there have just been signs of significant positive changes only since the fourth quarter of 2018. The dairy industry's slowdown in 2018 resulted from many objective and subjective reasons, of which the key ones include:

- There has been a change in the consumption trend, specifically the decrease in the Vietnamese people's consumption of animal milk and cow milk because many other alternatives have been offered to consumers such as plant milk and other nutritional drinks. Especially in major cities, consumers have been shifting to consuming products with higher nutritional content, typically the high-end European organic standard dairy products, which are also the current consumption trends in developed countries like the US and EU.

- The distribution system was affected by the wholesale distributors seeking other investment opportunities in real estate, securities and gold markets in the early months of 2018.

Given unfavorable factors occurring in 2018, Vinamilk's production and business activities have also been significantly affected.

2018 was the year with a great deal of the BOD's activities



Development strategy

The Board has followed the 5-year strategic plan of 2017-2021 and made timely adjustments. The Board has reviewed and approved a number of decisions, such as the expansion of selective export markets, the development of high-end products, the completion of the factory and farm system for the new period, the conduction of M&A deals and the increase of equity in subsidiaries in order to enhance the strength of the value chain.

Dividends

Total cash dividend paid to shareholders was 5,000 VND/share. In which, the cash dividend of 3,000 VND/share was the dividend for the financial year 2017. In 2018, the Company paid the first interim dividend of 2,000 VND/share for the financial year 2018. On the other hand, Vinamilk also paid the second interim dividend of 1,000 VND/share in February 2019.

The remaining cash dividend for the financial year 2018 will be approved by the AGM on April 19th 2019. Thus, ratio of cash dividend paid in 2017 over profit after tax attributable to owners' equity of the Company was 70%.

Performance assessment of the BOD and Committees

In 2018, the BOD carried out activities in accordance with the internal Governance Regulations. Accordingly, the BOD has acknowledged and promoted the efficiency of the BOD and committees in general and of each member of the BOD in particular.

Production and business results

- Revenue: VND 52,629 billion, increased by 2.9% compared to 2017.

- After-tax profit: VND 10,206 billion, decreased by 0.7% compared to 2017.

- Market share: The total market share increased by 0.9%. Vinamilk has continued to affirm and consolidate the leading position.

Corporate Governance & Sustainable Development

In 2018, the BOD continued to provide orientations for improving corporate governance and conducting action programs under the policy of sustainable development. These activities have led to proud results: the Company being one of the top five leading companies in corporate governance and ranking 2nd on Audited Sustainable Development Report (please see the Sustainable Development Report section for details).



Performance assessment:

The BOD's performance review meeting was held at the last BOD meeting of the year on January 21, 2019 with the participation of all members of the BOD and the support of the Secretariat in charge of corporate governance.

Assessment criteria: eight behaviors and operational performance in accordance with the internal Governance Regulations.

Assessment form: Using questionnaires with a 5-level rating scale. The assessment criteria have added four more aspects according to IFC's practices as follows: (1) Self-leadership competence and operational results; (2) Combination of knowledge, experience and diversification of members of the BOD; (3) Dynamism; and (4) Operational process.

Activities of Committees:

- In 2018, all four committees under the BOD, including the Audit Committee, the Strategy Committee, the Nomination Committee and the Remuneration Committee, have complied with the internal Governance Regulations approved by the AGM.

- The Strategy Committee reviewed 5-year strategic objectives and assessed the execution of strategic projects in relation to market changes. The Strategy Committee also carried out important reviews for the dividend policy and the framework for strategic project assessment.

- The Audit Committee with quarterly work plan with related parties reviewed financial statements, supervised the operation of Independent Auditor, improved the control system and operational efficiency of Internal Audit. In addition, the Committee also reviewed and evaluated the risk portfolio and refined the operational framework of the compliance committee.

- The Nomination Committee has completed the determination of criteria for independent BOD members, focusing on improving corporate governance through the participation in the VIOD and monitoring the personnel succession planning program. The committee also focused on the plan to send the BOD members to the advanced training course for BOD members held by VIOD.

- The Remuneration Committee reviewed the remuneration package of the BOD and studied the policies for remuneration and evaluation of the CEO and senior executives.

Results:

In 2018, the BOD operated in accordance with the laws and the Company's Charter and brought good results to the Company. The contents under the BOD's authority, strategic supervision, risk management, nomination and remuneration have been executed professionally.

The performance of most committees has been assessed as excellent. The suggestions for performance improvement have been recorded for execution in 2019. In terms of individual assessment, all of the BOD members have performed well, proactively and positively fulfilled their duties and made practical, effective contributions.

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 2018 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.

- In addition, the Audit Committee monitored the aspects of Financial situation, Compliance and Risk management through the working framework with Independent Auditor, Internal Audit, Internal Control and Risk Management and functional departments and divisions.

- The BOD discussed and approved decisions by resolution after each meeting on changes, forecasts and plans for the following quarter and other relevant issues for the CEO and the BOM to execute.



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

A. Accomplishment of business targets

This criterion has been assessed based on the accomplishment of (i) the common targets of the Company and (ii) the quality targets in 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.

C. Competences and skills of senior management

The assessment was 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. The results of leadership style and working environment survey were also part of this assessment.

B. 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"

Results:

According to the BOD's assessment, the CEO and the BOM have made great efforts and successfully completed the tasks assigned in 2018, including complying with the current laws and the Company's Charter and Regulations, and improving and strengthening the organization, control and management systems.



Audit committee report

All the committee members are qualified and competent to perform their duties as assigned and specified in the Company Charter as well as the Audit Committee Charter.



Mr. DO LE HUNG
Head of the Committee

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. Dang Thi Thu Ha**
Member
- **Mr. Le Thanh Liem**
Member

In 2018, the Audit Committee held five meetings with the full participation of all four members. There were also many other meetings on specific topics with the participation of relevant members. After each meeting as well as at the end of the financial year 2018, the Audit Committee consolidated and reported its activities results to the BOD.

In 2018, there was an improvement in the methodology whereby the Committee has been playing a role of oversight all before, during and after each quarterly reporting and supervisory period. This is an on-going oversight process, focusing on improving the internal control system and risk management in all areas of activity under its oversight scope.

The results of the Audit Committee's activities can be summarized in the following areas:

1. Review of financial statements

The Audit Committee had reviewed the quarterly, semi-annual and annual financial statements before they were submitted by the BOM to the BOD, the AGM or for public disclosure as required by the law. The review results showed that:

- Quarterly, semi-annual and annual financial statements were prepared and disclosed in accordance with current accounting standards and regulations.
- Although not required by the law, Q1/2018 and Q3/2018 financial statements were reviewed by the Independent Auditor that improved the reliability of the reports before disclosure.

- During the year, there were no changes in accounting policy, accounting standards or tax policies that had material impacts on the disclosed financial position and financial statements.
- No material or irrational errors were found regarding accounting estimates (provisions, goodwill valuation, etc.).
- There was no unusual record for related party transactions.
- Some comments by the independent auditor in the management letter to improve the internal control system have been reviewed and considered by the Committee as not having a significant impact on financial statement preparation and disclosure, and also agreed by the Committee on measures of improvement with the BOM and relevant stakeholders.

2. Oversight of 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 departments. The oversight results showed that:

- The Company currently maintains an effective framework for risk management and internal control.
- The Risk Management Policy have been updated and reviewed by the Committee and approved by the BOD.
- There have been no noticeable changes via monitoring risk portfolio in general and key risks in particular during the year.
- The level of potential risks and existing risks according to the risk portfolio has been monitored and evaluated regularly.
- Risk management measures have been applied timely to ensure compliance and consistency with the Risk Management Policy of the Company.
- Risk management activities have been not only conducted in divisions, departments and units of the Company, but also expanded to subsidiaries and project groups, such as construction investment, M&A, etc.
- Company officials and employees are aware and responsible for internal control and risk management, especially through the regular issuance and communication of Risk Management Newsletters and the application of control self-assessment across most of divisions and units.
- In 2018, the Company also conducted internal assessment of the implementation of ISO 9001:2015 quality management system to all functional departments. Assessment results show that the Company has been duly implementing this standard, ensuring good quality in production and business management.

- Internal procedures are issued, updated, guided and managed by functional departments;
- Internal audit results showed better compliance with procedures than the previous year.

3. Oversight of Internal Audit function

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 been performing effectively, contributing significantly to improving the internal control and risk management system. Some highlights include:

- 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 only to support and consulting for audited units in risk management and internal control has brought positive results and continues to be maintained.
- The internal audit plan for 2018 has been completed within the expected resources and schedule.
- 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 Audit Committee conducted a comprehensive assessment of the Internal Audit function in 2018. The assessment results showed that the Internal Audit had successfully completed the assigned tasks and audit plan. The findings and recommendations of the Internal Audit had helped audited units, divisions, departments, factories and farms not only enhance the sense of responsibility to comply with the business process but also refine the management process, enhance production and business efficiency and improve operational efficiency of the Company.

4. Oversight of Compliance and Fraud Prevention

- The Audit Committee supervised the effectiveness of prevention activities against fraud and violations of Company Charter, internal rules, Code of Conduct and regulatory requirements.
- At present, the Company has set up a mechanism and framework to instruct and implement fraud prevention measures.
- The Company has issued the Regulation on prevention of fraud and corruption and the whistleblowing system and assigned a specialized department to be in charge.
- In 2018, the Company also held many communication seminars for executives and staff in order to raise awareness in preventing and deterring fraud and violations. It is noteworthy that some communication activities have been extended to even suppliers and customers of the Company.

5. Oversight of independent audit services

- The Audit Committee assessed that the proposed 2018 audit plan and its execution made by the independent auditor were suitable to meet the Company's requirements on the scope, objects, methodology and timeline while ensuring the auditor's service quality, independence with no conflicts of interest.
- With regards to the execution of the 2018 audit plan, KPMG has successfully fulfilled its tasks, meeting the expectations of the Audit Committee, ensuring the reliability and integrity of the financial statements disclosed to shareholders and relevant stakeholders.
- As for the financial year 2019, the BOD (Audit Committee) will submit the selection proposal of an independent auditing firm to the AGM for approval.

Head of the Audit Committee

Do Le Hung

The Board of Management's report



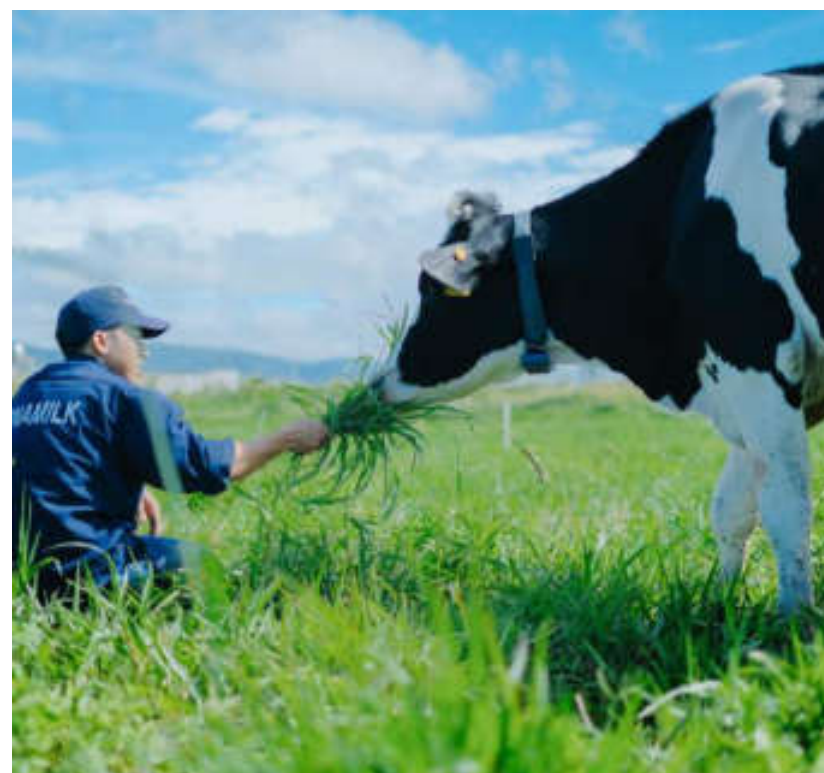
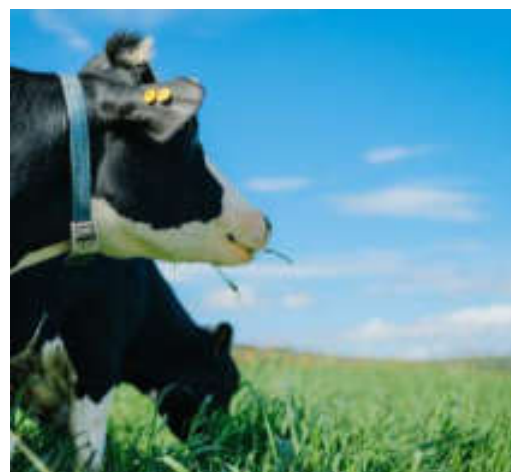
“2018 was a year with challenges to Vinamilk in a way that general background of consumer goods sector tended to slow down.”

In 2018, with lower growth in consumption trend while main export market of Middle East being affected because of political instabilities, Vinamilk has actively changed via changing its organizational apparatus, focusing on developing domestic market share as well as expanding export system to regional countries and African.



The Company reported sales growth of 2.9% and profit after tax was approximately the 2017 level.

This has helped the Company to partly limit affects from traditional markets, maintain high sales and important financial factors. In particular, the Company reported sales growth of 2.9% and profit after tax was approximately the 2017 level. This was an encouraging result in a context where dairy consumption market declined. Vinamilk is continuing to consolidate its leading position in domestic dairy industry and to expand its overseas markets to new countries.



Financial position

The Company continuously maintained financial stability in 2018, illustrating via key financial indicators as follows:



(VND billion)	2017	2018	+/-
Total revenue	51,135	52,629	2.9%
Profit before tax	12,229	12,052	-1.4%
Profit after tax	10,278	10,206	-0.7%
Total assets	34,667	37,366	7.8%
Owners' equity	23,873	26,271	10.0%
Share capital	14,515	17,417	20.0%
Total liabilities	10,794	11,095	2.8%

i) 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 16% of short-term assets. During the year, no significant bad debts were incurred; receivables management policy and customers credit policy were maintained to create conditions for customers to expand business scale and safety.

- Inventory: accounted for 27% of short-term assets. Inventory turnover ratio decreased slightly compared to 2017 from 6.2 to 5.8 in 2018, mostly because of an increase in inventory at the end of the year as to prepare for 2019 production plan. There was no significant slow-moving inventory in 2018. Inventory management policy was maintained.

- Accounts payables: accounted for 10.7% of total capital. The Company's payables turnover was improved, reducing to 7.4 in 2018 from 8.2 in 2017 thanks to the change in the payment policy for suppliers presented in Annual Report 2017. The Company has maintained the reasonable and strict payment policy with suppliers, in line with the Company's operation.

ii) Long-term asset management: In 2018, fixed assets value increased by 27%, from VND 10,290 billion to VND 13,048 billion. The increase value was relating to (i) investment in machine to increase production capacity and (ii) investment in new farms at industrial scale following strategic business plan to 2021. The Company has maintained a policy for management and new investment of long-term assets as to ensure high effectiveness in managing assets and suitable to future growth, avoiding waste and loss of assets.



Key financial indicators

With good business results and sound financial management, the Company has brought to shareholders another year of financial ratios always remaining in safe ranges.

Targets	2017	2018	Note
1. Liquidity			
- Current ratio	2.0	1.9	(times)
- Quick ratio	1.6	1.4	(times)
2. Capital structure			
- Debt to asset ratio	31%	30%	
- Debt to equity ratio	45%	42%	
3. Operating efficiency			
- Inventory turnover	6.3	5.8	(times)
- Receivables turnover	17.6	15.0	(times)
- Payables turnover	8.1	7.4	(times)
- Asset turnover	1.6	1.5	(times)
4. Profitability			
- Profit after tax / Net revenue	20%	19%	
- Profit after tax / Equity (ROE)	44%	41%	
- Profit after tax / Total assets (ROA)	32%	28%	
- Operating profit / Net revenue	24%	23%	

Divisions' report

Marketing activities

Marketing activities have always evolved and innovated to catch up with changes in trend from the market. As such, by the end of 2018, Vinamilk's total dairy market share increased by 0.9%, confirming its leading position in the market. This was a highlight in the past year and marked another milestone in Vinamilk's marketing activities with most remarkable in following aspects:

- o Leading in innovation and re-launching products in all product categories.

- o Launching about 18 new products of liquid milk, milk powder, yogurt, drinking yoghurt, baby cereal, soya milk, ice-cream and beverages, etc, the innovation has broadened Vinamilk's product portfolio, offering consumers richer and more comfortable experiences. Especially in 2018, Vinamilk has successfully and impressively introduced premium black rice yogurt, as well as the first premium Greek style yogurt in Vietnam. On the other hand, Vinamilk also launched 100% A2 fresh milk product, counting to be the pioneer in healthy product segment.

- o Not only focusing on developing traditional marketing channel, digital communication was also further enhanced through Vinamilk's own Youtube channel and social networks.

- <https://www.vinamilk.com.vn/>
- <https://www.youtube.com/user/vinamilk>
- <https://www.facebook.com/vinamilkbiquyetngonkhoetuthienhien/>
- <https://www.facebook.com/vinamilkbabycare/>



Research and development (R&D) activities

The Company promoted research to diversify its product portfolio and serve the domestic and export markets, as well as research and application of new technologies to improve product quality, reduce costs of production and product development in line with consumption trends of domestic and international consumers.

In addition, R&D activities have always focused and cared about social responsibility, and ensured all actions following business philosophy to bring the nutrient and premium quality to community.

The R&D division also examined and consulted about nutrition and School Milk program; hosted a Program "Vinamilk for community's health" aiming at pre-school children and the elderly; participated in a conference "Effect of sleep and nutrition on brain development of children" in July and August 2018 in Ha Noi and Ho Chi Minh city and a conference "Quick escape from being malnutrition, gain weights after 3 months".

Distribution activities

Domestic market

Continue to maintain and build a strong distribution network in all sales channels. In the end of 2018, the Company has a distribution network with:

- (i) 208 suppliers with retail points of almost 250,000;
- (ii) Widely and mostly available in all supermarkets and convenient stores in nationwide;
- (iii) Special customers (KA channel) such as hospitals, restaurants, hotels, corporations, etc are increased, for instance signing a strategic agreement of 5 years to 2023 with Vietnam Airlines that Vinamilk will supply to the Airlines nutritious and quality products for customers in all around the world;
- (iv) "Vietnam Dairy Dream" store chain reaching up to 426 stores. A new highlight in enhancing consumer convenience was the launch of e-commerce channel with the cooperation of trusted partners and "Vietnam Dairy Dream" stores.
- (v) More special focus on group of schools and increase significantly from supplying school milk in Hanoi and provinces in nationwide via the School Milk Program.

The timely and effective introduction of marketing promotion activities is a key success factor in increasing market share and maintaining Vinamilk's position in the market.

Finally, it is worth mentioning the revolutionary program of restructuring and strengthening distributors' capacity program. Distributors were rearranged to scale up, increase individual point-of-sale satisfaction and achieve high efficiency by leveraging on their scale.

International markets

In 2018, international business activity continued to enter overseas markets with the transition from traditional export to intensive cooperation with distribution partners in new key markets, gradually reducing dependence on traditional market.

The 3 new markets explored in 2018 were in Asean and African. In 2018, Vinamilk made direct exports to 40 countries via 70 customers.

In 2018, Vinamilk participated in 12 international fairs in traditional markets such as Asean, African, Middle East. Especially, the Company also had stalls in 3 big Chinese food fairs where considered as a potential market for export in the coming time.

Logistics activities

Apart from purchasing activity with a goal of best quality at the lowest possible price, the most other prominent activity of supply chain activity was to optimize warehouse system and distribution goods. This included the continuous restructuring and improvement of the warehouse system, conducting in the smart warehouse model, applying automation technology, optimizing space utilization, etc in order to increase efficiency in operation and better sales activity.



Production activities

As a leading dairy company in Vietnam in not only market share but also the most modern production system, Vinamilk's production processes are always ensured at the highest standards and no manufacturing incidents relating to products quality are allowed. In 2018, 5 factories have completed the assessment of new organic standards.

Regarding economic impacts, 13 factories of Vinamilk in nationwide all operated on a environmentally friendly basis.

Regarding increase in production capacity: executed strategic business plan to 2021, Vinamilk has been investing many production lines with the most modern technology at the present to increase manufacturing capacity at factories in nationwide. In particular, the Company finished phase 2 at Vietnam dairy factory in Binh Duong province, increase total capacity of the factory from 400 million litre per year to 800 million litre per year and invested numerous machines for producing liquid milk at high speed (A3 speed) with package of 100ml and 180ml at Tien Son and Lam Son dairy factories supplying School Milk Program in Ha Noi and northern provinces. On the other hand, 2 more machines producing eating yogurt with capacity of 80,000 bottles per hour per machine was the most modern and largest capacity in the world that Vinamilk invested to implement at Ho Chi Minh factories and at Tien Son dairy factory.

The procedures and regulations in preparing and executing the project were leaner in a more compact way to increase the efficiency and speed of project implementation.

Human resources

Labor and remuneration management: Reviewed functions and duties of divisions and subsidiaries, standardized job descriptions. Completed and issued regulations on new job-based working allowances to increase employees' benefits. At the same time, HR department also reviewed, updated and adjusted HR policies, regulations and processes on salary, recruitment, training, promotion, etc. and issued the new regulation on benefit policies exclusively for female workers.

Labor recruitment: Research potential candidates, interview and evaluate, select and recruit to fulfill all recruitment requirements.

Training and Development: Continued the Succession Planning Program for all senior and middle-level key management positions in the period 2017-2021. Completed the individual development plan and organized training and development plan for potential candidates.

Competence assessment: Applied the competency model in activities of development and assessment for management levels.



Dairy farming

Pioneer in world-class dairy cow farming technology

Vinamilk has successfully created world-class DAIRY FARMING TECHNOLOGY with the right vision and orientation, specific objectives, investment and application of innovative technologies to specific conditions in Vietnam, development of a system of high-tech dairy cow farms from the North to the South, and also active and effective support to dairy farmers nationwide.

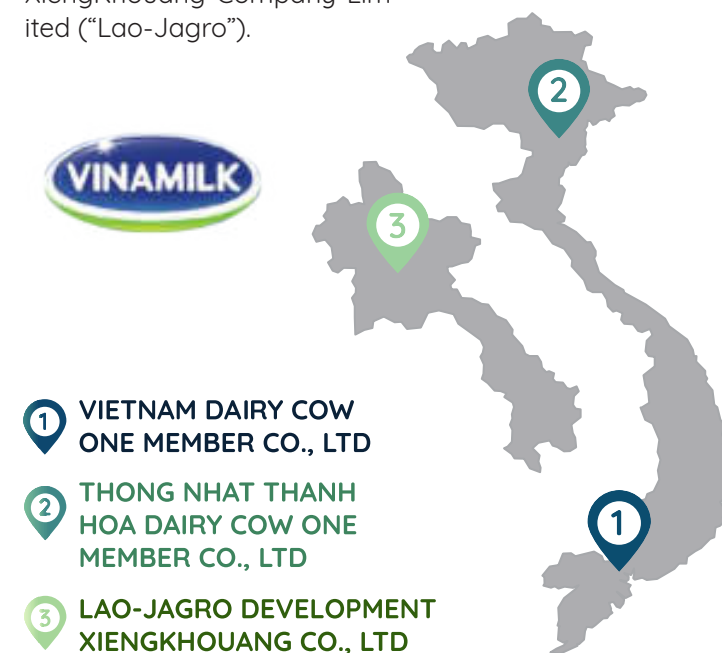
1. Overview of dairy farming in Vinamilk

Vinamilk is proud to be a Vietnamese dairy enterprise pioneering in dairy cow farming. The Company has invested boldly and applied innovative technologies into specific geography and climate of Vietnam. All dairy cows of Vinamilk are pure breed imported directly from Australia, the US, and New Zealand.

Currently, Vinamilk manages two dairy cow companies which are wholly-owned subsidiaries, being Vietnam Dairy Cow One Member Company Limited ("BSVN") and Thong Nhat Thanh Hoa Dairy Cow One Member Company Limited ("TNTH"), and one 51%-owned subsidiary in Laos, being Lao-Jagro Development Xiengkhouang Company Limited ("Lao-Jagro").

The main activities of these companies are to build, operate, manage and develop Vinamilk's dairy and beef cow farm system in Vietnam and Laos.

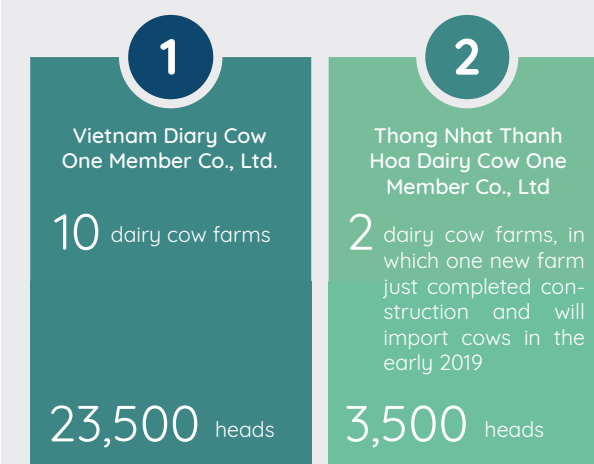
Following strategic business plan to 2021, Vinamilk will further boost executing projects of expanding farm system. In particular, that is building a new high-tech dairy farm complex in Thong Nhat - Thanh Hoa and in Laos to meet increasing demands in the market.



AS OF DECEMBER 31, 2018

IN VIETNAM

12 dairy cow farms  **27,000** heads 



IN LAOS



2. Key milestones of Vinamilk's dairy farm system

TUYEN QUANG DAIRY FARM
(SCALE: 2,000 HEADS)

The farm was formerly known as Phu Lam Dairy Farm under the Government's management. Vinamilk bought and renamed Tuyen Quang Dairy Farm as to commence the strategy of developing dairy cow farm system. This is the first dairy farm of Vinamilk and also the first high-tech and international standard dairy farm in Vietnam.



2007

BINH DINH DAIRY FARM
(SCALE: 2,000 HEADS)

In April 2008, Binh Dinh Dairy Farm was established and put into operation under the business license granted by the Department of Planning and Investment of Binh Dinh Province.



2008

NGHE AN DAIRY FARM
(SCALE: 2,600 HEADS)

In September 2009, Nghe An Dairy Farm was inaugurated and put into operation. This farm received the Best Dairy Farm Award at Vietstock's International Exhibition of Feed, Livestock and Meat Industry in 2014.



2009

HA TINH DAIRY FARM
(SCALE: 2,000 HEADS)

Inauguration of Ha Tinh Dairy Farm, in Huong Son district, Ha Tinh province.



2016

ORGANIC DAIRY FARM
(SCALE: 1,000 HEADS)

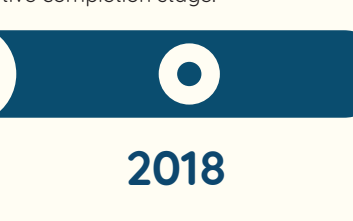
The first Organic Dairy Farm in Vietnam was inaugurated and put into operation. The farm has been certified according to European Organic standards by Netherlands-based Control Union.



2017

VINAMILK DA LAT DAIRY FARM (FARM 3 - ORGANIC)
(SCALE: 1,000 HEADS)

This was the second Organic dairy farm certified according to European Organic standards of Vinamilk in Da Lat. The farm is under constructive completion stage.



2018

THANH HOA DAIRY FARM
(SCALE: 1,600 HEADS)

The farm was formerly Sao Vang dairy farm owned by Lam Son Dairy JSC. Vinamilk bought all shares of the company in July 2010 and re-named Thanh Hoa Dairy Farm.



2010

VINAMILK DA LAT DAIRY FARM (SCALE: 1,600 HEADS)

In April 2012, VINAMILK Dalat Dairy Farm completed the construction and started receiving cows.



2012

TAY NINH DAIRY FARM
(SCALE: 8,000 HEADS)

In December 2013, Tay Ninh Dairy Farm with the scale of 8,000 dairy cows located in Ben Cau district was established under the business license granted by the Department of Planning and Investment of Tay Ninh Province.



2013

THONG NHAT-THANH HOA 2 DAIRY FARM
(SCALE: 4,000 HEADS)

The second farm of this complex has just completed construction and started receiving cows in the early 2019.



THONG NHAT-THANH HOA 1 DAIRY FARM
(SCALE: 4,000 HEADS)

In March 2018, Vinamilk held the inauguration of Farm No. 1 of Vinamilk Thanh Hoa High-Tech Dairy Farm Complex.



2018

LAO-JAGRO DEVELOPMENT XIENGKHOANG CO., LTD
(SCALE: 4,000 ORGANIC HEADS)

Regarding favorable climate and large acreage over 4 hectare, Vinamilk invested in a 51% share of Lao-Jagro Development Xiengkhouang Co., Ltd to develop a heaven for cows in Laos. The organic dairy farm of 4,000 heads is under phase 1 of designing and building and expected to put under operation in the end of 2019.



2018



13
FARMS

3. Investment in modern technology and equipment

Currently, all dairy cow breeding systems are invested and built by the Company 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 accordance with each stage of cow development, Super soft mattress imported from the US creating refreshing feeling for cows, Automatic drinking trough system, Automatic scratching brush system, Automatic cooling system with electricity and water-saving technology operated according to THI index (interaction index between temperature and humidity) in order to create the most comfortable barn microclimate for dairy cows, Automatic manure rake system operated in a pre-installed cycle. Waste from the barn is led through the automatic separator machine, the solid part is kept in the compost bunker to create organic fertilizer, the liquid part is passed through the biogas system, therefore sanitation requirements in farming is always ensured.



Cows enjoying the imported ceiling fan system

Automatic scratching brush system

Each cow is managed by a system of identification chips and motion sensors through cow management softwares provided by world-renowned firms. With this system, all information about milk yields and productivity, activity level, early warning of health status and reproductive cycle so that veterinarians can make timely visit and perform timely artificial insemination.

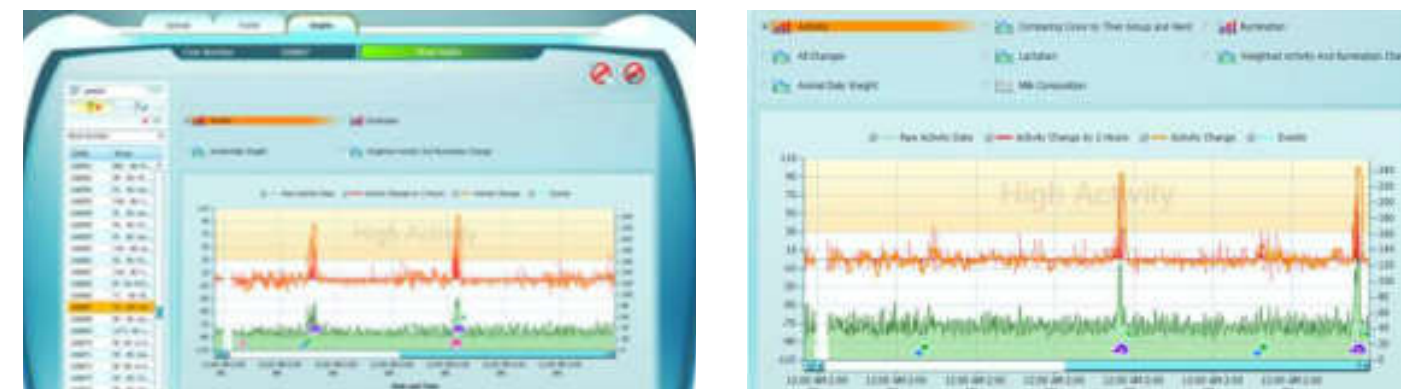


Cows wearing chips that track activity and ruminating levels

4. Cow estrus detection and health management system

In dairy farming, reproduction plays a key role as having pregnant cows means having milk. For that reason, the Company is always determined to equip the most modern and convenient systems for estrus detection to determine the most accurate time of insemination, thereby increasing the pregnancy rate and dairy farming performance.

Not only detecting estrus, this system also monitors cow health very effectively by measuring ruminating level. The system gives early warning for cows with signs of abnormal, reduced health in order to make timely treatment plan.



A chart showing cows' activity and ruminating levels, based on which one can assess whether cows are in estrus or non-estrus state and their health status.

5. Building an embryo transfer center

Embryo transfer ("ET") is a modern technology being applied widely in dairy farming in developed countries, enhancing speed of selecting and improving genetic resources for cows.

In order to bring evolutionary changes to the progress of improving herds of cows, increasing efficiency in production and meeting raw milk material needs, Vinamilk has executed the project of Building an ET center in Da Lat.



3D plan for embryo transfer center in Dalat



6. Automatic silo feeding system

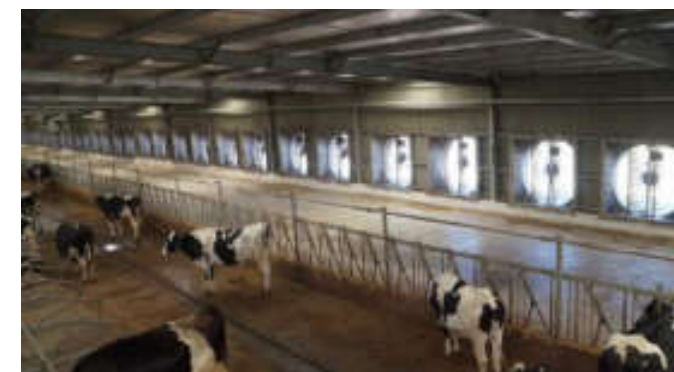
In 2018, the whole farm system has been equipped with a fully automatic silo feeding system that helps to shorten operation time, reduce labor costs, save packaging costs and ensure weatherproof quality at the same time.



7. Automatic cooling system and super soft rubber mattress

Comfort is a very important factor in dairy farming as it not only keeps cows healthy and stress-free but also helps to reduce lameness rate and increase milk yields, contributing to the economic performance of the Company.

According to studies, cows only produce milk while ruminating and need to ruminate at least 10 hours/day. Therefore, the Company has experimented and equipped the farm system with super soft, high elastic mattresses to help cows stay the most comfortable as possible.



8. Solar energy system

The orientation is to install solar power panels in order to be environmentally friendly and cost saving.



9. Nutritious rations



Modern centralized livestock model demonstrates Vinamilk's proper investment and development direction through business results of farms as follows:

26.1 Average daily milk yield
kg/cow

33.1 The highest yield
kg/cow

This is a record yield level, marking a big step in dairy farming at Vinamilk's farms.

Cow rations are calculated as consulted by foreign dairy nutritionists and prepared in Total Mixed Ration method.

✓ Energy

Each piece of feed always ensures adequate and balanced nutrition components according to daily needs of each cow group. Compound feed produced at Global G.A.P certified feed factories by Vinamilk's own formula set up by the Company's Dairy Nutritionists.

✓ Protein

Forage is strictly monitored from planting to harvesting. Feed ingredients are under quality control and all traceable.

✓ Fat

✓ Vitamins

✓ Minerals



Viet Nam Dairy Cow has been recognized as Agricultural Enterprise Application of High Technology. Milk quality is under continuous control to meet strict standards of food hygiene and safety, while the farm system is certified according to

ISO 9001:2015
Global G.A.P

The profit of Viet Nam Dairy Cow in 2018 increased approximately compared to 2017

+29%

The average cost of raw milk at Viet Nam Dairy Cow decreased over the same period

-2.7%

Proving the effectiveness of re-planning of farming areas and the investment in automation technology for cultivation and feed processing.

10. Comprehensive cooperation with and support for farmers

Vinamilk currently manages raw milk collection station- throughout the country to collect fresh milk from farmers.

Over **80** Stations

The milk collection stations, apart from the main task of raw milk procurement, also support farmers in dairy farming such as distribution of compound feed and cleaning teet deep solution, consultation and transfer of technology and control of livestock diseases, etc. So far, these activities have been welcomed and trusted by farmers.



In 2018, Vinamilk relocated and built

5 more milk collection stations

Lam Dong

4

Stations

Ben Tre

1

Station



BY YEAR END 2018

The herd size at farming households has increased

14-16 cows/household

Milk productivity also improved

13.0-13.5 kg/dairy cow

Cu Chi Raw Milk Center is a place where all fresh milk sources are located in Ho Chi Minh City and surrounding areas, after passing through the quality control, will be coordinated to all factories in the city area and Binh Duong. The center is equipped with modern machinery and equipment including a cold warehouse for sample centralized storage; a barcode-based rapid analyzer system to send results to every farmer; an automatic clean-in-place system to help clean milk tanker trucks, ensuring food hygiene and safety; a large volume, highly flexible, quick cooling tanker system to receive milk from both milk collection stations and farmers as necessary.

Thanks to Cu Chi Raw Milk Center, the network of raw milk procurement from farmers in the country's highest productivity region has been promoted to a new level of higher quality consistency, higher resource efficiency and more effective interaction with farmers.



Cu Chi Raw Milk Center

11. Technical staff standardization

Proactive development of high quality human resources

A qualified veterinary team plays a vital role in the development of dairy cow farms. Consequently, the Company annually offers career opportunities to skilled labors throughout the country. The Company offers training and coaching to ensure sustainable development and personnel succession.

Connections with the world's leading experts

Vinamilk has been signing consulting contracts with rich experience experts from abroad in dairy cow farming of American, Israeli, Japanese. On the other hand, the Company has been regularly cooperating, building a network and connecting to top specialists of dairy cow farming in the world to train, exchange knowledge and transfer technology; thus taking Vietnamese cow raising level to approach near the level of developed countries.



Training courses with foreign experts



More than a decade since the day of investing and developing dairy farm system, Vinamilk has achieved big successes that have contributed drastic changes and brought new evolution to Vietnamese dairy industry with memorable events as follows



THE FIRST
DAIRY FARM IN
VIETNAM



THE FIRST
DAIRY FARM
IN SOUTHEAST
ASIA TO MEET
GLOBAL G.A.P
STANDARD



THE FIRST FARM
IN VIETNAM TO
MEET EUROPEAN
ORGANIC
STANDARDS



VINAMILK TO
PRODUCE THE
FIRST A2 MILK IN
VIETNAM



Subsidiaries' business activities

Driftwood Dairy Holding Corporation

In December 2013, Vinamilk acquired a 70% share in Driftwood Dairy Holding Corporation ("Driftwood") and in May 2016, Vinamilk increased its ownership in this company to 100%. Driftwood is one of the oldest dairy producers in South California, USA with a product portfolio of fresh milk, yogurt, ice cream and juice. Driftwood's customers include schools, restaurants, hotels, distributors, etc. in South California.



In 2018, despite major fluctuations in the US market, Driftwood's total revenue reached more than USD 116.2 million, equivalent to VND 2,674 billion.



Angkor Dairy Products Co., Ltd



In January 2014, Vinamilk established a dairy production joint venture in Cambodia under the name of Angkor Dairy Products Co., Ltd ("Angkormilk") and started to build a factory. In October 2015, Angkormilk officially went into commercial operation. In March 2017, Vinamilk increased its ownership to 100% in Angkormilk. Angkormilk's current product portfolio comprises of condensed milk, liquid milk and yogurt. In 2018, Angkormilk recorded impressive growth with total revenue of USD 39.8 million, equivalent to VND 915 billion, an increase of 98.4% compared to 2017.

This result was attributed to Angkormilk's proactive expansion of the distribution system throughout Cambodia, its diversification of the product portfolio, and its focus on operational efficiency improvement and reasonable cost management. In 2019, Angkormilk sets a target of 2-digit revenue growth rate and continues to improve operational efficiency.

Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia

In May 2014, Vinamilk established a wholly-owned subsidiary ("Vinamilk Europe") in Poland. The company's mission is to purchase high quality materials for dairy production at Vinamilk and other subsidiaries. In 2018, Vinamilk Europe purchased and exported 21,000 tons of raw materials to Vinamilk and other subsidiaries. In 2018, Vinamilk Europe's revenue was approximately USD 30.9 million, equivalent to VND 711 billion.

Vinamilk's social activities

HIGHLIGHTED HONORS AND AWARDS IN 2018

Vinamilk and Hau Giang Pharmaceutical sign strategic cooperation agreement in product research and development



On March 22, 2008, in Ho Chi Minh City, Vietnam Dairy Products Joint Stock Company - Vinamilk signed a strategic cooperation agreement on product research and development with Hau Giang Pharmaceutical Joint Stock Company - DHG Pharma. The aim is to meet health care needs and to bring new values to the community towards a healthier life.

Accordingly, Hau Giang Pharmaceutical and Vinamilk will sign a Strategic Cooperation Agreement on the following main aspects:

- Building new co-branded products or developing existing ones to serve the healthcare needs of people from all walks of life.
- Coordinating in supplying raw materials to produce food supplements for health improvement;
- Utilizing the strengths of each other's distribution capacity to give people easy access to nutrition and health care products.

Vietnam Airlines and Vinamilk join hands for international co-branding



In Ho Chi Minh City, August 6, 2018, Vietnam Airlines Corporation (Vietnam Airlines) and Vietnam Dairy Products Joint Stock Company (Vinamilk) officially announced the strategic cooperation program for 5 years (2018-2023).

Under this agreement, apart from Vinamilk providing nutrition products to Vietnam Airlines and its subsidiaries, the two companies will conduct cooperation in other areas, including co-branding in some events and marketing campaigns and sharing experiences in management and operation of supply chain and warehouse system, consumption market information and brand evaluation reports.

Vinamilk products will be served in exclusively designed packaging with co-branded images on Vietnam Airlines flights departing from Vietnam, with products' quality assured to serve the country's only 4-star airlines. The total value of Vinamilk products supplied on board is expected to grow 10% per year, reflecting the effective and strong cooperation between the two companies.



Vinamilk signs agreement for investment in Song Hau Farm, Can Tho

On August 10, 2018, at the Investment Promotion Conference 2018 in Can Tho, Vinamilk officially signed a cooperation agreement to invest in Song Hau Farm, Can Tho Province.

This project of Vinamilk is built on the model combining the farms with Vinamilk's existing processing plant and distribution system in Can Tho city to bring in a closed, international-quality production chain at competitive selling prices. The farms will use the latest technologies whereby operations are optimized with modern robot systems and computer network-based management systems, meeting the demands and competition in the era of Industry 4.0. The combination of Vinamilk's advanced farming and production models with the local long-term farming experience and abundant feed sources will create stability and efficiency while making good use of the strengths of the associated parties. In addition, the project will also have a positive effect throughout the region to form new industries of dairy cow farming, beef cow farming, aquaculture and animal feed. The output products of farmers will be exclusively consumed with reasonable and stable prices.



Vinamilk signs strategic cooperation agreement with Cho Ray Hospital to reach international standard

On September 2, 2018, on the occasion of the Congress on Clinical Nutrition and Metabolism at IFEMA Convention Center, Madrid, Spain, Vietnam Dairy Products Joint Stock Company (Vinamilk) signed a Strategic Cooperation agreement with Cho Ray Hospital for the extended 2019-2021 period. The deal aimed for “nutrition care and specialized product development for inpatients and outpatients and intensive training for clinical nutritionists to help them meet international standards” with the attendance, witness and support of professors from the Geneva University Hospital.



Vinamilk rises to the top 100 best places to work in Vietnam 2017

On March 22, 2018, Anphabe Career Network and Market Research Company INTAGE announced the list of “100 Best places to work in Vietnam 2017”. Vinamilk - Vietnam’s leading dairy company - was ranked among the leading top of 100 best places to work in Vietnam for the fourth consecutive year. Especially, in this year’s list, Vinamilk has risen to the first position in fast moving consumer goods industry and also the first position of the Top 100 best workplaces in Vietnam.



Vinamilk tops the list of 40 most valuable companies in Vietnam in three consecutive years

On July 30, 2018, Forbes Vietnam announced the list of 40 most valuable companies in Vietnam. According to this ranking, Vinamilk continues to lead with a brand value of US \$ 2.28 billion. This was also Vinamilk’s third year holding this position, accounting for nearly 30% of the total value of 40 brands, an increase of 30% over the value determined in 2017 and more than 50% compared to 2016.



Vinamilk ranks in the top 50 best listed companies in Vietnam for six consecutive years

On July 26, 2018, Vietnam Dairy Products Joint Stock Company (Vinamilk) was named in Forbes Vietnam’s Ceremony to honor Vietnam’s 50 best listed companies. This was also the sixth year Vinamilk was named in this list with a recorded revenue of VND 51,041 billion and market capitalization of VND 255,419 billion.



Vinamilk wins five national brand awards in a row

At the Ceremony of announcing companies with national brand products in 2018 in Hanoi on December 20, 2018, Vietnam Dairy Products Joint Stock Company - Vinamilk was once again honored to achieve this precious title for the fifth consecutive time (the title is selected and announced every two years). Vinamilk is also the only dairy company in Vietnam that has been continuously appreciated and voted as a national brand for a long time and has maintained the continuity over the years.

THÀNH THỊ & TP CHÍNH			NÔNG THÔN		
Xếp hạng 2017	Nhà sản xuất	GRP (Triệu đồng)	Xếp hạng 2017	Nhà sản xuất	GRP (Triệu đồng)
1	Vinamilk	72	1	Unilever	344
2	Unilever	57	2	Masan Consumer	306
3	Masan Consumer	39	3	Vinamilk	227
4	Nestlé	30	4	Acecook	107
5	Acecook	25	5	Cafolac	105
6	Suntory PepsiCo	24	6	Ajinomoto	87
7	Ajinomoto	16	7	Asia Foods	84
8	Cafolac	16	8	Nestlé	76
9	P&G	14	9	Uniben	72
10	FrieslandCampina	14	10	Vinasoy	63

Vinamilk is the most chosen brand in Vietnam for four consecutive years

On May 22, 2018, Kantar WorldPanel published its 6th year’s Brand Footprint report, in which Vinamilk continued to surpass overseas and domestic brands to keep its position as a No. 1 brand in Vietnam - the most chosen brand by consumers in the urban area of four major cities. This was also the fourth consecutive year that Vinamilk received this award and has been maintaining its position in the hearts of Vietnamese consumers.



Vinamilk remains in the list of “300 leading companies in Asia” and among the leading top of “50 best performing companies in Vietnam” in 2018

On July 7, 2018, at GEM Center, Ho Chi Minh City - Nhịp Cầu Đầu Tư Magazine cooperated with Thien Viet Securities Company (TVS) to announce the list and honor “50 Best Performing Companies in Vietnam”. The ranking reflects companies’ business performance and management competence in the past 3 years 2015, 2016 and 2017. This was also the seventh consecutive year Vinamilk won this prestigious title with business results demonstrating the Company’s oriented and sustainable development.



School milk program – a responsibility of joining hands for a stand tall Vietnam

Apart from focusing on developing and succeeding in business, Vinamilk also pays attention to social caring and tribute programs, especially towards children. Therefore, in over the last 10 years, together with Stand Tall Vietnam milk fund that bringing free glasses of milk to needy children in numerous provinces, Vinamilk is proud to be a pioneer in joining hands to execute and develop School Milk Program since the era of 2006, 2007.


The year 2018 was a mark for a year with spectacular efforts of Vinamilk that the Company was continuously chosen to be the one who would supply products for School Milk Program in provinces such as Da Nang, Tay Ninh, Ben Tre and especially Ha Noi. This has increased the total number of provinces that Vinamilk has executed the Program to 9 over 11 provinces which are running the Program nationwide.

VINAMILK'S SCHOOL MILK PROGRAM

Since 2006

 **77** million glasses of milk

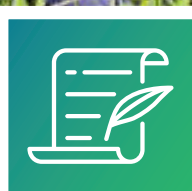
 **155** VND billion

 **1.4** million pre-school and elementary school children





DEVELOPMENT STRATEGY 2019



DEVELOPMENT STRATEGY TO 2021

The Board of Directors of Vinamilk has defined long-term strategic vision for production and business activities as follows:

01 Maintaining the leading position in Vietnam's dairy industry

03 Leading in highly applicable innovations

02 Become the dairy company that creates the highest added value in Southeast Asia

Continuing to maintain 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 four main pillars for execution, including:



Leading in highly applicable innovations

- Focus on dairy and dairy related products, which is the core business that has created the Vinamilk brand.
- Maintain the research and development of new products with the aim of innovating and diversifying the product portfolio to better meet the tastes and needs of consumers.



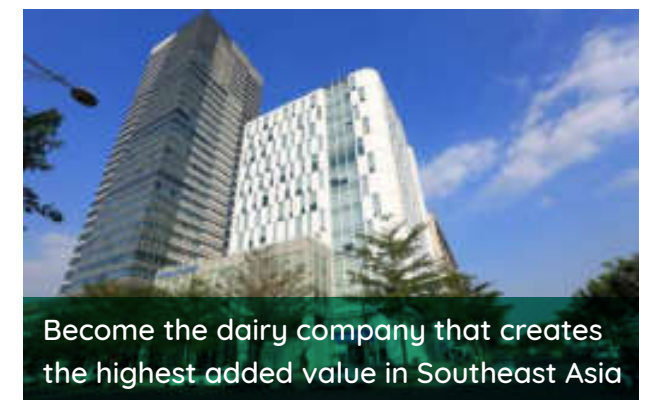
Market segmentation and product positioning

- Focus on middle and high-end, added value products in urban areas; continuing to penetrate and cover rural areas with entry-level product lines.



Holding the leading position in Vietnam's dairy industry

- Prioritize to exploit the domestic market which still has great growth potential, especially developing the rural market.



Become the dairy company that creates the highest added value in Southeast Asia

- Be ready for merger and acquisition (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.
- Actively build the brand image by executing promotion strategies via media; also commit to high investment in all aspects, especially those bringing advantages for distribution, marketing and human resources.

2019 TARGETS

Consolidated revenue will not be less than VND **56,000 billion**

Profit before tax margin will not be less than **20%**



Corporate Governance

5.1 Corporate Governance report

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5.2 Risk Management report

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Corporate Governance report

“ At Vinamilk, we adhere to good corporate governance principles, and we conduct our business in compliance with all applicable laws, rules, and regulations, including the Listing Manual (“**Listing Manual**”) of Ho Chi Minh Stock Exchange (“HOSE”). In particular, Vinamilk has sought to comply with the principles and guidelines of the Code of Corporate Governance 2018 by Singapore published on 6th August 2018 (“**CG Code 2018**”) to the extent possible. This is in accordance with international best practices in corporate governance that are globally accepted. ”

On the other hand, in order to enhance governance act and code of ethics to the highest possible extent, Vinamilk has prepared a book series of Board of Directors’ operation guidance for BOD published by Singapore Institute of Directors, including 6 books as follows:

- Board Guide;
- Audit Committee Guide;
- Nominating Committee Guide;
- Remuneration Committee Guide;
- Board Risk Committee Guide
- Resource Guide;



A. Board Matters

Principle 1: The Board’s Conduct of Affairs

The Board of Directors (“Board”) oversees the Company’s business and affairs in accordance with the resolutions of shareholders, the applicable laws and the Listing Manual. The Board must exercise good business judgement and act in good faith in the best interests of the Company.

Under the direction of the Board, Vinamilk has established two fundamental policies named i) “Regulations on Corporate Governance” and ii) “The Code of Conduct” with which all employees are required to comply. Further details of these policies are available on the Company’s website: <https://www.vinamilk.com.vn/en/he-thong-quan-tri>

The Board is responsible for the overall business leadership, strategic direction, performance objectives and long-term success of Vinamilk. It also seeks to align the interests of the Board and Management with that of shareholders, and balance the interests of all stakeholders.

As at 31 December 2018, the Board comprises the following Directors, namely:

1. Mrs. Le Thi Bang Tam	Chairwoman, Independent BOD member Head of Nomination Committee
2. Mrs. Mai Kieu Lien	Executive BOD member CEO Head of Strategy Committee
3. Mr. Michael Chye Hin Fah	Non-Executive BOD member
4. Mr. Alain Xavier Cany	Non-Executive BOD member
5. Mr. Nguyen Ba Duong	Independent BOD member Head of Remuneration Committee
6. Mrs. Dang Thi Thu Ha	Non-Executive BOD member
7. Mr. Do Le Hung	Independent BOD member Head of Audit Committee
8. Mr. Le Thanh Liem	Executive BOD member
9. Mr. Lee Meng Tat	Non-Executive BOD member
10. Mr. Nguyen Chi Thanh	Non-Executive BOD member

The Board has appointed the Company Secretariat and the Secretariat to the Board of Directors as follows:

- Mr. Tran Chi Son
- Mrs. Le Quang Thanh Truc
- Mr. Nguyen Trung





Matters Requiring Board Approval

Our Board recognizes its utmost duty to administer the Company's business and oversee the Company's operations in the best interests of the Company. This includes the administration of the subsidiary companies to be in line with the Company's core business plans to ensure due compliance with the shareholders' resolutions, in good faith and due compliance with the law and the Company's business objectives. Our Board is also responsible for the determination of the vision and business strategies of the Company, the oversight of Management's performance of their duties according to the Company's policies, and the reporting of the financial statements and general information to shareholders and investors with accuracy and sufficiency.

According to Vietnamese Law, the Board is required to meet in person and not less than four times in each year. For the year ended 31st December 2018, a total of 6 Board meetings were held.

Names	No. of BOD's meetings	% attendance	Remark
1. Mrs. Le Thi Bang Tam	6/6	100 %	
2. Mrs. Mai Kieu Lien	6/6	100%	
3. Mr. Alain Xavier Cany (*)	4/4	100%	
4. Mr. Nguyen Ba Duong	3/6	50%	Absent with known reason
5. Mr. Michael Chye Hin Fah	6/6	100%	
6. Mrs. Dang Thi Thu Ha	6/6	100%	
7. Mr. Do Le Hung	6/6	100%	
8. Mr. Le Thanh Liem	6/6	100%	
9. Mr. Lee Meng Tat	6/6	100%	
10. Mr. Nguyen Chi Thanh	3/4	75%	Absent with known reason
11. Mr. Nguyen Hong Hien	1/2	50%	Absent with known reason

(*) The Annual General Meeting 2018 approved to cease the directorship of Mr. Nguyen Hong Hien effectively from 31st March 2018 and approved the election for the additional Directors for the tenure 2017-2021 as follows:

- Mr. Nguyen Chi Thanh
- Mr. Alain Xavier Cany



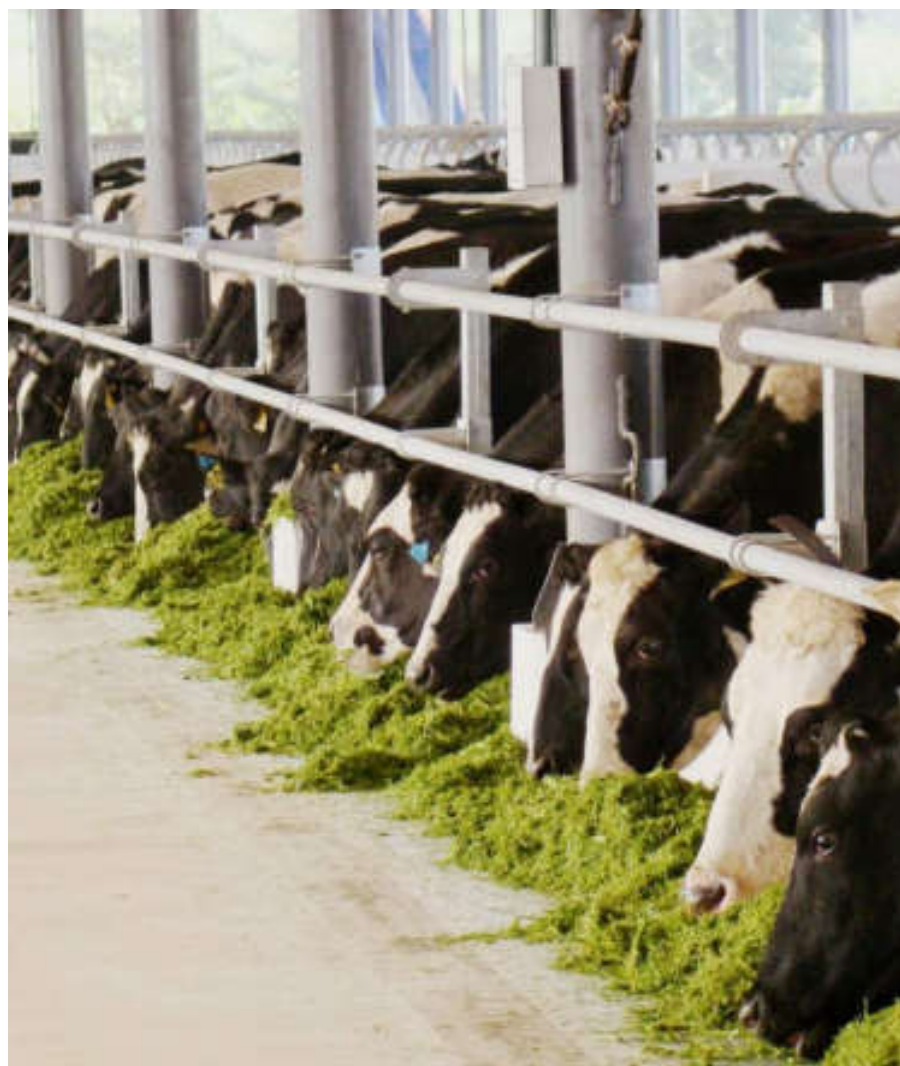
In addition to the meetings in person above, the Board have discussed and voted through email on a number of business matters during the year. As at 31st December 2018, the Board has issued 22 resolutions below:

No.	Resolution No.	Date	Description
1.	01 / N Q - C T S . H Đ Q T / 2 0 1 8	26 / 01 / 2018	Remuneration of the CEO and Executive Directors
2.	02 / N Q - C T S . H Đ Q T / 2 0 1 8	26 / 01 / 2018	Distribution of the remaining BOD's 2017 allowance
3.	03 / N Q - C T S . H Đ Q T / 2 0 1 8	08 / 02 / 2018	Change in organizational apparatus of the Company
4.	04 / N Q - C T S . H Đ Q T / 2 0 1 8	13 / 02 / 2018	Change in organizational apparatus of the Company
5.	05 / N Q - C T S . H Đ Q T / 2 0 1 8	20 / 03 / 2018	Amendment to the Overseas Investment Registration Certificate of Miraka (change the company's name)
6.	05 b / N Q - C T S . H Đ Q T / 2 0 1 8	11 / 05 / 2018	Payment of the first interim dividend payment 2018 and issuance of additional shares to increase share capital by owners' equity
7.	06 / N Q - C T S . H Đ Q T / 2 0 1 8	11 / 05 / 2018	Remuneration of the BOD
8.	07 / N Q - C T S . H Đ Q T / 2 0 1 8	11 / 05 / 2018	Appointment and allocation of the 2018 BOD's duty
9.	08 / N Q - C T S . H Đ Q T / 2 0 1 8	11 / 05 / 2018	Amendment to Investment project "Tien Son dairy factory"
10.	09 / N Q - C T S . H Đ Q T / 2 0 1 8	18 / 05 / 2018	Approval of warehouse project in the North
11.	10 / N Q - C T S . H Đ Q T / 2 0 1 8	19 / 07 / 2018	Approval of organic dairy farm in Laos
12.	11 / N Q - C T S . H Đ Q T / 2 0 1 8	07 / 08 / 2018	Determination of issued shares to increase share capital by owners' equity
13.	12 / N Q - C T S . H Đ Q T / 2 0 1 8	07 / 08 / 2018	Extension of land lease - Truong Tho dairy factory
14.	13 / N Q - C T S . H Đ Q T / 2 0 1 8	19 / 09 / 2018	Approval of Investment in northern factory
15.	14 / N Q - C T S . H Đ Q T / 2 0 1 8	03 / 10 / 2018	Closure of Thailand representative office
16.	15 / N Q - C T S . H Đ Q T / 2 0 1 8	29 / 10 / 2018	Appointment of Vinamilk's representatives at Laos Jagro
17.	16 / N Q - C T S . H Đ Q T / 2 0 1 8	14 / 11 / 2018	Extension of business activities into South east Asian region
18.	17 / N Q - C T S . H Đ Q T / 2 0 1 8	22 / 11 / 2018	Investment of Highland project
19.	18 / N Q - C T S . H Đ Q T / 2 0 1 8	22 / 11 / 2018	Approval of increase in investment budget to Laos Jagro
20.	19 / N Q - C T S . H Đ Q T / 2 0 1 8	30 / 11 / 2018	Payment of the second dividend payment 2018
21.	20 / N Q - C T S . H Đ Q T / 2 0 1 8	30 / 11 / 2018	Change in organizational apparatus
22.	21 / N Q - C T S . H Đ Q T / 2 0 1 8	27 / 12 / 2018	Approval of Driftwood's capital increase

Delegation of Authority on Certain Board Matters

Four Board committees, including Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee, have been constituted to assist the Board in the discharge of its specific responsibilities, and effectively discharge its oversight duties and functions. The Board has also established approval limits and financial authorization for operating and capital expenditure, and the procurement of goods and services in order to optimize operational efficiency, has clearly delegated authority to the relevant Board Committees to review and approve transactions which fall within the said limits. In addition to matters that specifically require the Board's approval, the Board is also responsible for the review and approval of annual budgets, financial plans, financial statements, business strategies and material transactions, such as major acquisitions, divestments, funding and investment proposals, and is also responsible for reviewing and approving transactions exceeding certain threshold limits.

To address and manage possible conflicts of interest that may arise in relation to Directors' interests and the Company, Directors are required to abstain from voting on any matter in which they are interested or conflicted.



Strategy Committee

- The Board established the Strategy Committee ("SC"). The SC comprises of four Directors, namely, Mrs. Mai Kieu Lien, Mr. Nguyen Ba Duong, Mr. Lee Meng Tat, and Mr. Nguyen Chi Thanh. The Head of the SC is Mrs. Mai Kieu Lien.
- The SC is primarily responsible for preparing and proposing the business strategies of the Company to the Board, including being accountable of (1) approving vision, mission and long-term strategies; (2) supervising the planning, execution and deployment of strategies; (3) navigating of sustainable and responsible development; (4) integrating reports; and (5) relations with related parties.



Audit Committee

- The Board established the Audit Committee ("AC") and determined qualifications of the members, authority and responsibility of the committee in the Audit Committee Charter. The AC comprises of four Directors, 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 Board member, is the Head of the AC.
- The AC is primarily responsible for reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company, internal control and internal audit systems, compliance with laws relating to the business of the Company, connected transactions, interested person 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' external auditors, etc.

For further details, please refer to the Audit Committee Report regarding performance of the duties and responsibilities of the AC for the year ended 31st December 2018.



Nomination Committee

- The Board established the Nomination Committee ("NC"). The NC consists of Mrs. Le Thi Bang Tam, Mrs. Mai Kieu Lien, Mr. Nguyen Hong Hien and Mr. Lee Meng Tat. Mrs. Le Thi Bang Tam, an independent Board member, is the Head of the NC.
- The NC is primarily responsible for the determination of criteria and the selection of suitable persons to be appointed as director and key management personnel, setting the procedures and the guidelines for such selection in order to uphold transparency, performing duties according to applicable laws and/or regulations and the Listing Manual as well as any amendments made thereto and orders given by the relevant authorities or regulators to the extent that is relevant to the scope of authorities, duties and responsibilities of the NC, reviewing nominations for re-appointment of Director, and assisting the Board in the determination and reconsideration of independence of Independent Directors at least annually. On the other hand, the Board also assess BOD and BOM's performances, establish and recommend the Company Charter's principles (including 04 aspects: good BOD actions, environmental control, transparent information, corporate governance guarantee) which are applied to BOD and the Company's employees.

For further details, please refer to Principle 2: Board Composition and Guidance of this report.

Remuneration Committee

- The Board established the Remuneration Committee ("RC"). The RC consists of four Directors, 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 Board member, is the Head of the RC.
- The RC is primarily responsible for:
 - setting the policies and the guidelines in the determination of salary, bonus and remuneration of any kind to Directors and Top Executives as well as reviewing, revising, amending or revoking such procedures and rules in respect of Directors' remuneration for approval by the Annual General Meeting ("AGM");
 - considering and reviewing salary, bonus and remuneration of the Directors and Top Executives and proposing the same to the Board;
 - recommending to the Board a framework and criteria of salary, bonus and remuneration for the Directors and Top Executives;
 - recommending specific salary, bonus and remuneration packages for each Director and Top Executives;
 - performing any other act as delegated by the Board.

For further details, please refer to Principle 9: Disclosure of Remuneration of this report.





Principle 2: Board Composition and Guidance

Board of Directors

Number of Directors increased from 09 members to 11 members in accordance with Resolution 01/NQ-CTS. HDQT/2018, dated 31st March 2018 by the AGM 2018.

As at 31st December 2018, our Board consisted of 10 Directors and the Company had not found the other appropriate candidate. The Company has 03 Independent Directors representing one-third of the total number of the Board members. All Directors have long-term experiences in business or attained honorary positions.

The size and composition of the Board are reviewed from time to time by the NC, which seeks to ensure that the size of the Board is conducive to effective discussion and decision making, and that the Board has an appropriate number of Independent Directors. The NC also seeks to maintain an appropriate balance of expertise, skills, and attributes among the Directors, including relevant core competencies in areas such as accounting and finance, business and management, industry knowledge, strategic planning, and regional business expertise, as well as taking into account broader diversity considerations, such as gender, age, nationality, in making appointments. When a Board position becomes vacant or additional Directors are required, the NC will select and recommend candidates on the basis of their skills, experience, knowledge and diversity. Any potential conflicts of interest are also taken into consideration.

Independent Directors

All Directors exercise due diligence and independent judgment and make decisions objectively in the best interests of the Company. The qualifications of the independent Directors and the determination of the NC adhere to the Vietnamese regulations and the requirements of the CG Code 2012. An independent director is one who has no relationships with the Company, its related corporations or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to acting in the best interests of the Company, and such director should be independent both in character and judgment.



Principle 3: Chairman and CEO

Chairman and CEO are two distinct personnel and not concurrent.

Our Chairman encourages constructive relations among the Board and Top Executives. The Chairman approves the agenda to be considered at the Board meetings.

The Chairman and CEO are each responsible for their roles in overseeing the business operation and administration in accordance with the policy of the Board, the business plan and the structure of the organization of the Company.

Principle 4: Board Membership

In order to ensure a transparent process for the appointment and re-appointment of the Directors to the Board, the NC establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment, re-appointment and retirement of Directors. The NC also reviews all nominations for appointment of the CEO and Top Executives and submits its recommendations for approval by the Board. The NC takes into account an appropriate mix of core competencies for the Board and Top Executives to fulfil its respective roles and responsibilities.



Directors must ensure that they are able to give sufficient time and attention to the affairs of Vinamilk and, as part of its review process, the NC decides whether or not a Director is able to do so and whether he/she has been adequately carrying out his/her duties as a Director of Vinamilk. The Company believes that each Director has carefully considered that he/she will be able to devote sufficient time to manage the business of Vinamilk.

For key information regarding each of the Directors, please refer to Profile of Directors (page 52) and Key Management (page 58) in our 2018 Annual Report.

Principle 5: Board Performance

In conducting the business of the Company, the Board performs its duties in good faith and due care according to the laws, shareholders' resolutions and to preserve the interests of the Company. Our Board has conducted a self-assessment of its performance and responsibilities.

Annually, the NC undertakes a process to assess the effectiveness of the Board and the Board committees. They include Directors' attendance, participation and contribution during the meetings. Due consideration is also given to the factors set out in the Guidelines to Principle 5 of the CG Code 2012.

To encourage and support the conduct of the self-assessment of the Board and the Board committees, the NC has prepared a self-assessment form for the Board and the Board committees which includes the effectiveness of the Board structure and qualifications, the Board meetings, the duties and responsibilities of the Board, the relationship between the Board and Management team, and the Directors' self-development and training, including comments or recommendations.

The NC is responsible for reviewing the self-assessment of the Board and to report an overview of the assessment to the Board accordingly.

For further details, please refer to the BOD's Report regarding performance in 2018.

Principle 6: Access to Information

We are committed to providing our Board members with adequate, complete, continuous and timely information before the Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board members have separate and independent access to the Company Secretariat. The Company Secretariat, in consultation and cooperation with the Internal Control & Risk Management Department including the compliance advisor as the case may be, is responsible for advising the Board on private and public limited company laws including securities laws and relevant regulatory matters. The Board approves the appointment and the removal of the Company Secretary. For the year ended 31st December 2018, the Company Secretariat attended all Board's and Committees' meetings.

The Secretariat plans in advance a calendar of activities in one year for the Board. For preparation of each meeting, the Secretariat will deliver the Board papers, financial statements including management reports, agenda items and related materials, background or explanatory information beforehand on a timely basis to Directors, so that Directors have sufficient lead-time to peruse, review and consider the items tabled, and in order for discussions at Board and Board Committee meetings to be even more meaningful and productive. Senior Management is invited to attend the Board Meetings and other Board committee meetings in order to provide input and insight into matters being discussed, and to respond to any queries that the Directors may have. The Board members have separate and independent access to Management to ensure that Board procedures are followed.

Where it is necessary for the efficacious discharge of their duties, the Directors and Board Committee members, either as an individual or a group, may seek and obtain independent professional advice at the Company's expense.



B. Remuneration Matters

Principle 7: Procedure for Developing Remuneration Policies

The main responsibility of the RC is to assist the Board in establishing a formal and transparent process for developing policies on executive remuneration and development. The RC will also review the terms of compensation and employment for Executive Directors and key management personnel at the time of their respective employment or renewal (where applicable) including considering the Company's obligations in the event of termination of services.

The RC considers and proposes to the Board the remuneration of Directors, Executive Directors and key management personnel and to propose the level of Directors' remuneration for the approval of the shareholders' meetings. The RC has considered and reviewed the appropriate and reasonable amount of remuneration to be paid to each Director and the top Executives and proposed the recommendation of the said remuneration to the entire Board for endorsement.

If a member of the RC has an interest in a matter under deliberation, he/she will abstain from participating in the review and approval process for that matter.

The RC may from time to time, and where necessary or required, consider engaging external consultants to assist in framing the remuneration policy and determining the level and mix of remuneration for Directors and Top Executives.

Principle 8: Level and Mix of Remuneration

The determination of the level and band of remuneration of the Directors, Top Executives of the Company was based on corporate performance, duties, responsibilities and individual performance, having regard to due compliance with applicable laws.

Principle 9: Disclosure of Remuneration

Details of remuneration of the Directors and Top Executives (including those who are in an executive capacity) of the Company for the year ended 31st December 2018 and together with a percentage breakdown into the following categories (1) Directors' fees; (2) salaries; (3) bonuses as well as funds paid based on the operating results of the Company; (4) other benefits, are set out in the tables below.

In respect of the Directors who are in an executive capacity, the Company, having duly considered the highly competitive human resource environment of the industry and the confidential nature of staff remuneration matters, is of the view that full disclosure of their remuneration may be prejudicial to the interests of the Company and may hamper the Company's efforts to retain and nurture its talent pool. In alternative, the Company has disclosed their remuneration as described below.

Names of Directors (Executive capacity)	Salaries	Bonus based on the Company performance	Directors' fee
Mrs. Mai Kieu Lien	28%	64%	8%
Mr. Le Thanh Liem	45%	38%	16%



Names of Directors (non-Executive capacity)	Salaries	Bonus based on the Company per- formance	Directors' fee
Mrs. Le Thi Bang Tam	-	-	100%
Mr. Alain Xavier Cany(1)	-	-	100%
Mr. Nguyen Ba Duong	-	-	100%
Mr. Michael Chye Hin Fah	-	-	100%
Mrs. Dang Thi Thu Ha	-	-	100%
Mr. Nguyen Hong Hien (2)	-	-	100%
Mr. Do Le Hung	-	-	100%
Mr. Lee Meng Tat	-	-	100%
Mr. Nguyen Chi Thanh (1)	-	-	100%

Remarks:

(1) They were appointed on 31st March 2018.

(2) They ceased to be the BOD members on 31st March 2018.

Names of Top management	Salaries	Bonus based on the Company performance
Mr. Mai Hoai Anh	51%	49%
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	51%	49%
Mr. Tran Minh Van	55%	45%



C. Accountability and Audit

Principle 10: Accountability

The Board is responsible for providing a balanced and understandable assessment of the performance, position and prospects of Vinamilk through quarterly and annual financial reporting. The financial statements for the four quarters shall be released to shareholders within 30 days after the end of each quarter, the first half financial statements shall be released to shareholders within 45 days after the end of 30th June, and the annual results shall be released within 90 days after the end of each fiscal year. Vinamilk complied with all disclosure deadline requirements in 2018. Please see below for more information.

Disclosure of financial statements	Reporting deadline by legal requirements (1)	Vinamilk’s actual disclosing date
The 4th financial statements – 2017	30 days	30/1/2018
The full year financial statements – 2017	90 days	09/3/2018
The annual report – 2017	120 days	26/3/2018
The 1st financial statements – 2018	30 days	27/4/2018
The 2nd financial statements – 2018	30 days	29/7/2018
The first half financial statements – 2018	45 days	30/7/2018
The 3rd financial statements – 2018	30 days	30/10/2018

Remark:
(1) Number of days after the end of each quarter/fiscal year respectively.

Principle 11: Internal Controls and Risk Management

The Board recognizes its responsibility to ensure a sound system of risk management and internal controls to safeguard the shareholders’ investments and the Company’s assets. In this regard, the Board established an Audit Committee, each member of which oversees different areas to ensure the adequacy and effectiveness of financial, operational, compliance and information technology controls, including systematic risk management through determining structure, strategy and risk owners, controlling and monitoring the results of risk management.

In support of compliance with applicable laws and regulations, the Board also built up internal control system to oversee compliance with the Law of Enterprise (including securities laws) which are applicable to the Company.



In additions to control over compliance with relevant laws and regulations, the Board set the tone on acceptable business ethics and policies related to Vinamilk’s business operations to be used as practical guidelines for all Directors, Top Executives and employees, including the Company’s other stakeholders, and to strengthen sustainability of the Company. With a view to the handling of information in order to prevent mishandling of information either for personal benefit or other persons’ benefit, the Board instituted a policy and code of conduct for the Directors, Top Executives and employees of the Company to be responsible for preventing any access by unauthorized persons to, and/or disclosure of non-public information that may affect the market price or value of the Company’s shares and other financial instruments issued by the Company, before it is received by the HOSE/SSC, or before the information is made public through HOSE, SSC and Vinamilk’s website.

The AC, with the assistance of the internal and external auditors, reviews and reports to the Board at least annually on the adequacy and effectiveness of the Company’s internal control, including financial, operational, compliance and information technology controls, all of which have been established and maintained by the Management in order to ensure the Company’s operational achievement in furtherance of its goals and objectives, ensure compliance with applicable laws and regulations and safeguard its significant assets from misconduct or loss. The AC also oversees the accuracy and reliability of financial information and reporting. In assessing the adequacy and effectiveness of the Company’s internal control, the AC has considered the results of audits by the internal and external. Based on the aforesaid considerations, the AC is of the opinion that for the year ended 31st December 2018, the Company had in place adequate and effective internal controls including financial, operational, compliance and information technology controls.

Additionally, the Board, with the assistance of the AC, annually reviews the adequacy and effectiveness of the Company’s risk management and overall internal control systems. Based on the internal controls and the risk management processes established and constantly maintained by the Company, independent audits performed by the internal and external auditors, and the assurance from the CEO and the Chief Financial Officer that the financial records and statements have been properly prepared and give a true and fair view of the operations and finances of Vinamilk in accordance with the applicable laws and regulations, and that Vinamilk has in place adequate and effective internal controls and risk management systems which are considered relevant and material to the current Vinamilk’s business and operations, the Board, with the concurrence of the AC, is of the opinion that for the year ended 31st December 2018, Vinamilk had in place adequate and effective internal controls addressing financial, operational, compliance and information technology risks and risk management systems which are considered relevant and material to the current Vinamilk’s business operations.

- The Company’s risk management processes can be summarized as follows:
- Stipulate the Company’s policy and framework for risk management and communicate them to the Company’s Executives and employees by emphasizing on the importance of risk management and the practical implementation of such policy to ensure the achievement of the Company objectives.
 - Identify material corporate risks, set risk assessment criteria and risk appetite to manage high level risks.
 - Conduct a risk assessment according to risk assessment criteria.
 - Identify risk responses to the risks that exceed the Company’s levels of acceptable risk.
 - Monitor and review major risks and risk treatment procedures to ensure that risks are appropriately managed.

Please refer to the Risk Management information in our 2018 Annual Report, in which it reported significant risks of Vinamilk including preventive measures and solutions.

The system of internal controls and risk management which was in place throughout the said fiscal period provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment on decision making, human error, losses, fraud or other irregularities.

Principle 12: Audit Committee

The AC, appointed by the Board, comprises four Directors: three Vietnamese and one Singaporean. For the names of the AC Head and members, please refer to Principle 1: The Board's Conduct of Affairs. Based on the qualifications of the AC Head and members, the Board is of the view that the AC Head and members are all appropriately qualified to discharge their responsibilities that are clearly set forth in the Audit Committee Charter, for instance, reviewing the financial statements preparation process and information disclosures of the Company and its subsidiaries to ensure accuracy and reliability, overseeing the adequacy and effectiveness of the internal controls and the internal audits of the Company and its subsidiaries, reviewing the Company's and its subsidiaries' compliance with business related laws, reviewing interested persons transactions to prevent any occurrence of conflicts of interest, and considering and selecting external auditors of the Company and its subsidiaries. The AC is duly authorized to investigate any matter within its Charter, has full access to and co-operation from Executives and full discretion to invite any Director or Executive to attend its meetings, and has adequate resources to enable it to discharge its functions properly.

In carrying out the duty on the selection of external auditors of the Company and its subsidiaries, the AC considers their competency, professional proficiency, recognized past performance and independence in providing audit services without having any relationship or interest with the Company or its subsidiaries, including non-audit services that will affect the auditor's independence. In addition, the AC takes into consideration whether the external auditors (both the auditing firm and the audit engagement partner proposed to be assigned to the audit) have the necessary resources and experience, other audit engagements of the auditing firm, the size and complexity of the Company and its subsidiaries being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, in determining whether the external auditors are suitable for continued appointment, before proposing its opinions on the appointment of the external auditors of the Company and its subsidiaries and their remuneration to the Board in order to propose to the shareholders' meeting for approval.

Upon authorized by 2018 AGM, the Board appointed KPMG Limited (Vietnam) to be in charge of the audit of the Company's financial statements for the year ended 31st December 2018.

In performing the duties on the review of financial information reporting, the internal control and internal audit systems, in compliance with business related laws and connected transactions or transactions that may give rise to conflicts of interest, the AC will meet on a quarterly basis or when deemed necessary by the AC, with the external auditors, the Internal Audit Director and Executives according to the relevant topics. For the year ended 31st December 2018, apart from ordinary meetings, the AC held a private meeting with the internal and external auditors, without the presence of the Management.

Vinamilk has set out regulation that provides a channel for all Vinamilk's Directors, Executives and employees to report any well-founded suspicious wrongdoings or dangers at work. This includes criminal activities and other unlawful conduct, failure to comply with regulatory requirements, financial irregularities and actions that are dangerous to the health and safety of people or the environment. The person who raises genuine concerns in good faith can rest assured that the Company will take the raised concerns seriously and investigate as deemed appropriate, including protecting the whistle-blower from detriment, retribution or harassment in doing so. Details of this regulation have been disseminated and are made publicly available to all employees. The AC has considered the said Policy and ensures that independent investigations of the raised matters and any appropriate follow-up actions are carried out.



Principle 13: Internal Audit

The Company established the Internal Audit Department ("Vinamilk IA") as an independent unit to assist the Board through the AC by assessing and improving effectiveness of risk management, internal control and governance processes. In this regard, the AC shall approve the appointment, demotion, transfer and dismissal of the IA Director in consultation with the CEO, as well as evaluate his/her performance. The compensation of the IA Director is determined based on his/her competency and experience and in line with the Company's compensation policies with endorsement by the AC and approval by the CEO. The IA Director reports directly to the AC and administratively to the CEO. With this organizational structure and reporting relationships, it enables Vinamilk IA to objectively and independently discharge the duties and responsibilities. Vinamilk IA is authorized to have unrestricted access to all the Company's documents, records, properties and personnel pertinent to carrying out its duties, including access to the AC. Vinamilk IA adopts a risk-based audit methodology to develop its audit plans to ensure that audit activities are aligned with key risks of Vinamilk. Based on risk assessments performed, greater focus and appropriate review intervals are set for high risk activities and material internal controls, including compliance with the Company's policies, procedures and regulatory responsibilities.

During the year ended 31st December 2018, Vinamilk IA conducted its audits as detailed in the internal audit plan submitted to and approved by the AC. Findings and internal auditors' recommendations on areas of improvement were reported for Executives' implementation. In each quarter, Vinamilk IA submitted to the AC a report on the status of the audit plan and on audit findings and actions taken by the Executives. Key findings were highlighted at the AC meetings for discussion and follow-up action. The AC monitors the timely and proper implementation of required corrective, preventive or improvement measures undertaken by the Management. To ensure that the internal audits are effectively performed, Vinamilk IA recruits and employs suitably qualified staff with the requisite skills and experience. Such staff are given relevant training and development opportunities to update their technical knowledge and auditing skills. In addition, Vinamilk promotes and supports the improvement of their expertise so as to allow them to become qualified as certified internal auditors or to attain other related professional certifications. The AC shall annually evaluate the performance of Vinamilk IA to ensure that Vinamilk IA has adequate resources and appropriate standing within the Company to perform its function effectively.





D. Shareholders Rights and Responsibilities

Principle 14: Shareholder Rights

The Company acknowledges and gives importance to the rights of the shareholders, who are the owners of the Company.

The Company has ensured equal and fair treatment towards every shareholder through its accurate, transparent and timely disclosure of information. The Company pays great attention to the sufficiency of information disclosure so that the shareholders are able to make a well-informed decision at the shareholders' meeting, including casting their votes and expressing their opinions on significant changes and the election of Directors, based on information which is accurate, complete, transparent, and equally shared.

Principle 15: Communication with Shareholders

Communication with shareholders is done not only through announcements via HOSE/SSC but also through our Investor Relations Unit who works closely with our top Executives to ensure active communication with shareholders through announcements in a timely manner.

The unit arranges a number of meetings during the year, especially after the disclosure of quarterly and full year results, so that investors may query Management about financial, marketing or strategic issues. The Investor Relations Unit also regularly meets with investors to communicate the policies and strategies of the Company so that investors have a good understanding of the Company operation. The Investor Relations Unit also provides timely detailed information via the corporate website.

The unit also reports to Management in relation to investors' comments and concerns. Contact information for the Investor Relations Unit is set out in section on Investor Information of this annual report and is also available in the investor relations section of our corporate website <https://www.vinamilk.com.vn/en/lien-he-thong-tin-co-dong>

Principle 16: Conduct of Shareholder Meetings

Shareholders' meetings are held in accordance with the agenda mentioned in the relevant invitation to the shareholders' meeting. The Company sends a complete invitation to shareholders' meeting, including attachments, with sufficient information relevant to the meeting to the shareholders. Moreover, the Company posts all information which is relevant to the meeting on HOSE/Vinamilk's website so that the shareholders will have sufficient time to carefully study this information. In addition, at least ten days prior to the date of the meeting, notice of a shareholders' meeting and the full set of meeting documents will be disclosed publicly on Vinamilk's website in order to provide shareholders sufficient time to prepare for attending the shareholders' meeting as required by the related laws and regulations.

The Chairman of the Board, the Head of the AC, RC, SC, and NC, and Directors who are part of the Management team are usually present and are available to address shareholders' queries at these meetings. Our external auditors from KPMG Limited (Vietnam) are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report. During the meeting, the Chairman allows the shareholders, equally, to make inquiries and express their opinions as well as to make recommendations.

In the 2018 AGM, the Company invited the representatives from the Internal Audit Department, the Internal Control and Risk Management Department to be the vote-counting committee members and invited one representative of shareholders to witness the vote-counting to be the independent scrutineer.



The Chairman of the Meeting also answers questions and provides complete information as requested by the shareholders. The Minutes of the shareholders' meeting must be accurately and completely recorded in a timely manner as required by law and disclosed together with the AGM resolution to the HOSE, SSC and posted on Vinamilk's website within 24 hours after the AGM meeting.

The 2018 AGM meeting was held on 31st March 2018. All documents related to the AGM meetings not only in 2018 but also from the previous years are kept on Vinamilk's website (<https://www.vinamilk.com.vn/en/dai-hoi-dong-co-dong>) in both Vietnamese and English to ease the shareholders to access at any time.

E. Other Matters of the Corporate Governance Report

Stock trading of the insiders

Insiders	Position at Vinamilk	Ownership at the beginning of the year		Ownership at the end of the year		Description
		Number of shares	%	Number of shares	%	
1. Mai Kieu Lien	BOD member, CEO	4,111,420	0.28%	4,933,704	0.28%	822,284
2. Le Thanh Liem	BOD member, Executive Director	298,718	0.02%	358,461	0.02%	59,743
3. Mai Hoai Anh	Executive Director	355,911	0.02%	427,093	0.02%	71,182
4. Trinh Quoc Dung	Executive Director	209,688	0.01%	251,625	0.01%	41,937
5. Nguyen Thi Thanh Hoa	Executive Director	752,906	0.05%	903,487	0.05%	150,581
6. Bui Thi Huong	Executive Director	59,846	0.00%	71,814	0.00%	11,968
7. Nguyen Quoc Khanh	Executive Director	20,664	0.00%	24,796	0.00%	4,132
8. Phan Minh Tien	Executive Director	80,359	0.01%	96,430	0.01%	16,071
9. Tran Minh Van	Executive Director	616,137	0.04%	739,364	0.04%	123,227

Remark:

(*): Increase because of issuance of bonus shares 1:5 for existing shareholders

Stock trading of the related parties

Related parties	Relationship with the insiders	Ownership at the beginning of the year		Ownership at the end of the year		Description	
		Number of shares	%	Number of shares	%	Issuance bonus shares 1:5 (*)	Buy
1. State Capital Investment Corporation	Nguyen Chi Thanh, Dang Thi Thu Ha, Le Thanh Liem	522,553,196	36.00%	627,063,835	36.00%	104,510,639	-
2. F&N Dairy Investments Pte Ltd	Michael Chye Hin Fah and Lee Meng Tat	239,463,148	16.50%	301,496,383	17.31%	50,249,397	11,783,838
3. F&Nbev Manufacturing Pte. Ltd.	Michael Chye Hin Fah and Lee Meng Tat	39,189,150	2.70%	47,026,980	2.70%	7,837,830	-
4. Platinum Victory Pte. Ltd.	Alain Xavier Cany	145,589,861	10.03%	184,880,461	10.62%	30,813,410	8,477,190
5. Mai Quang Liem	Mai Kieu Lien's brother	25,066	0.00%	30,079	0.00%	5,013	-
6. Nguyen Minh An	Nguyen Thi Thanh Hoa's brother	174,807	0.01%	209,768	0.01%	34,961	-
7. Duong Thi Ngoc Trinh	Mr. Mai Hoai Anh's mother	191,650	0.01%	229,980	0.01%	38,330	-

Remark:

(*): Increase because of issuance of bonus shares 1:5 for existing shareholders

Business transactions between Vinamilk and its insiders and insiders' related parties

For the year ended 31st December 2018, Vinamilk's business transaction with both the insiders and the related parties above are presented on page 200 in financial statements presented in 2018 Annual Report.

Risk Management report



In the context of continuous social and economic fluctuations in 2018, Risk Management has continued to affirm its role as an indispensable part of business operations. 2018 was a year for Vinamilk to conduct risk management activities at many levels, in the Company's operation and management, and especially at member companies.

Main activities

- Vinamilk has evaluated most of the risks in the risk portfolio identified on a quarterly basis through recognizing events and assessing risk levels.
- The Company has set up key risk indicators ("KRIs") for more than 86% of risks in the risk portfolio and put them into use to monitor risks.
- All of Vinamilk's factories have executed the Control Self-Assessment program. The assessment contents were established and reviewed, in accordance with the control requirements of management standards, regulations, and good practices.
- The four subsidiaries have implemented risk management activities at foundation stage with the main content of collecting risk management methods and practices.



Management of key risks

In 2018, Vinamilk continued to manage the Company's portfolio of key risks. Events and management measures were constantly reviewed and updated to ensure effectiveness.

No	Name of risk	Risk description	Controls
STRATEGIC RISKS			
1	Strategic Planning Risk	Inadequate strategic planning resulting in an inability to meet long-term strategic objectives.	Continuously monitor, review and adjust the Strategy when necessary. The Company has developed and issued Control Materials (Procedures and Processes) related to the Establishment and Execution of Goals.
2	Competition Risk	The loss in competitive advantages when the industry growth decreases and when competitiveness increases both in numbers of rivals and its competitive intensity.	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.
3	Global Economic conditions	Failure to adapt quickly to changes in the economy and global society that lead to unexpected effects for the Company in the implementation of the business plans.	Regularly update changes in the economic environment and assess their impacts on the Company in order to make timely action plans.
4	Political Risk	Risk of unexpected or sudden unfavorable changes in the political environment in invested countries, possibly hindering operations or decisionmaking.	Regularly monitor the political fluctuations in countries where the Company intends to invest or is doing business or export activities.
5	Social Media Risk	Loss of reputation or financial damage due to lack of timely and properly handling of unfavorable information distributed on the mass media.	Track and promptly report negative media coverage through automatic monitoring tools and make appropriate crisis management actions.
6	Succession Risk	A vacancy in a critical role because the right candidate cannot be found within an acceptable timeframe.	Continue the succession planning at lower levels to ensure sufficient human resources for all levels.
7	Loss of Key Customers	Breakdown of relationship with key customers, resulting in a loss of revenue.	Manage customer relationships, regularly evaluate sales and have appropriate policies for key customers.



No	Name of risk	Risk description	Controls
OPERATIONAL RISKS			
8	Input materials supply risk	The insufficient supply of input materials for the production process	Maintain secure inventory management, perform supplier assessment and management, and make reasonable purchase planning.
9	Product contamination risk	Hazards of a product that make it unusable or cause harm to consumers, or defects of a product that make it recalled to avoid causing harm to consumers.	Set up and regularly check the controls as required standards. Set up separate evaluation standards for the control system to ensure efficiency and optimization. An alert system is set up to promptly identify events and to address them.
10	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.
11	Strategy/Business Plan Execution Risk	Failure to execute business strategies and assess through portfolio management and specific projects.	The Project Coordination Team shall carry out investment projects, monitor and supervise the execution in terms of budget and schedule. Project leaders periodically report and take appropriate action in response to changes.
12	Risk of IT Security Breach	The probability or likelihood of occurrence of losses relative to the interruption of IT system, data breach, 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			
13	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 plan accordingly.

RISK MANAGEMENT IN 2019

In 2019, Risk Management activities will focus on extensively applying risk management tools to Departments/Activities in order to enhance the effectiveness of risk management. The Company's main action plans are as follows:

- Integrating the ISO 31000 system with the ISO 9001:2015 through improvements of procedures and forms in performing risk assessment tasks, especially prioritizing the integration into existing procedures.
- Reviewing and issuing a system of risk management materials for 2019, continue the work on KRIs

and CSA for the Company's remaining risks.

- Implementing the next phase of risk management at subsidiaries, including setting up a reporting system, conducting information collection, making reports and consolidating with the risk management report of Vinamilk.
- Focusing on risk management in managing projects through all the phases from development to execution, completion and post-project assessment.



Sustainable development

SUSTAINABLE DEVELOPMENT REPORT

TRANSFORMATION FOR SUSTAINABLE DEVELOPMENT IN THE CONTEXT OF CLIMATE CHANGE

1. 17 global SDGs – Figures and events

The 2030 agenda for global sustainable development has provided a detailed plan to create and enhance dignity, peace and prosperity for people and the planet at present and in the future. After three years of implementing the Agenda, countries are shifting this common vision to national development plans and strategies. The overall picture of implementing 17 global SDGs according to the United Nations' Sustainable Development Goal Report 2018 is as follows:

Environment

- 93% of the world's 250 largest companies have been making the Sustainable Development Report.
- Data from 79 countries shows that 59% of wastewater volume is treated.
- Percentage of carbon intensity per dollar of value added decreased 19% from 2000 to 2015, respectively from 0.38 to 0.31 kg of carbon dioxide per dollar.
- In 2016, 91% of urban citizens were breathing polluted air, estimating up to 4.2 million of people had died because of highly polluted air.
- Climate change, inequality, and conflicts have been inducing more challenges.

Economy

- Global productivity, calculating based on output product value per worker, was approximately USD 2,005, increased by 2.1% in 2017, reaching the highest growth ever since 2010.
- Global unemployment rate in 2017 was 5.6%, decreased by 6.4% compared to that in 2000. Unemployment in young age was three times higher than that in adults, up to 13% in 2017.
- 108 countries have Policy on Consumption and Production Sustainability up to 2018.
- The global proportion of production added-value in GDP increased from 15.2% in 2005 to 16.3% in 2017, fueled by the rapid growth of production in Asia.

Human

- The proportion of undernourished people worldwide increased from 10.6% in 2015 to 11.0% in 2016, mainly due to conflicts, droughts and climate change-related disasters.
- In 2017, 151 million children under five were stunted (low height-for-age), 51 million people suffered from wasting (low weight-for-height) and 38 million people were overweight.
- The gradual reduction of discrimination towards children and women was recognized, but gender inequality continued to inhibit women's growth and deprive them of basic rights and opportunities.
- Income inequality is still common: in 40 out of 45 countries with available data, men earn 12.5% more than women.



Figure: 17 SDGs

2. Vinamilk 2018 - Activities of SUSTAINABLE VALUE CHAIN and 17 SDGs

	Design and supply of resources	Farming and Production	Marketing and distribution	Consumption
Human	<p>100% of employees given regular health checks.</p> <p>100% of employees enjoying health and occupational accident insurance policies.</p> <p>Gyms, swimming pools, etc. equipped.</p> <p>10% of after-tax profit allocated to the Bonus and Welfare Fund to reward employees according to the performance review results.</p> <p>528 training courses held with a budget of nearly VND 5 billion.</p> <p>Newly issued Welfare Regimes and Policies for female employees.</p> <p>Women accounting for 40% of senior leaders.</p>	<p>Food supplements accounting for more than 50% of the product portfolio.</p> <p>9 Global Gap-certified farms and 1 Organic standard farm.</p> <p>13/13 factories certified to FSSC 22000.</p> <p>5/13 factories certified to Organic production standard.</p> <p>No labor accidents.</p> <p>No forced labor, no child labor.</p>	<p>No batch of recalled products.</p> <p>100% updates on products informed to customers.</p> <p>The call center system to resolve customer complaints available 24/7.</p>	<p>1.4 million glasses of milk equivalent to VND 9 billion donated to 16,000 children by The Stand Tall Vietnam Milk Fund.</p> <p>Creating the budget of nearly VND 100 billion for the School Milk program.</p> <p>Holding multiple nutrition counseling programs for the elderly.</p>
Nature	<p>No violation of the law, no environmental incidents arise.</p> <p>Reusing 100% of farming wastewater after satisfactory treatment.</p> <p>Rate of renewable energy used: 67.80% (KSX).</p> <p>Rate of clean energy used: 25.35% (KSX).</p>	<p>Winning the title of Top 10 Sustainable Companies in Manufacturing.</p> <p>No violation of the law, no environmental incidents occurring.</p> <p>13/13 factories certified to ISO 14001, ISO 50001 and OHSAS 18001.</p> <p>100% of hazardous wastewater treated.</p> <p>100% of farming wastewater treated through biogas systems.</p> <p>Water consumption rate reduced by 1.71% compared to 2017.</p> <p>More than 18 initiatives on energy saving and sustainable development implemented.</p>		

	Design and supply of resources	Farming and Production	Marketing and distribution	Consumption
Economy	Investing and creating jobs for more than 6,000 employees. Purchasing milk from over 6,000 households. Purchasing maize and grass from more than 1,300 households with total value of up to VND 200 billion.	Equipping modern infrastructure and equipment system for 13 factories and 10 farms. Investing in sugar industry. Contributing VND over 4,000 billion to the State budget.	Exporting products to more than 40 countries and constantly expanding markets. E-commerce channel The broad system of distribution channels	Approximately 17.6 million of products per day.
SDGs	             	             	             	             
Supply chain value	             	             	             	             

3. Vinamilk - Transformation for sustainable development in the context of climate change:

Achieving Sustainable Development Goals (SDGs) related to poverty, climate change and food and nutritional security is a major challenge, given the significant impacts of climate change on all aspects of life. From now to 2030, there are only 12 years left to speed up. This requires urgent actions by countries along with cooperative partnerships between governments and stakeholders at all levels.

Risks and challenges:

As the population grows and the number of consumers joining the middle class is increasing

the total resource demand is expected to up from **50 billion tons** in **2014**, to reach **130 billion tons** in **2050** equivalent to more than **400%** of the earth's capacity.



- + Issues on food security and nutrition
- + Limitations in finite resources and trade-offs
- + The level of urbanization leads to the increase in the old agricultural population
- + The urgent need to reduce emissions from the food production system quickly
- + The need to adjust the human diet... in the context of climate change requires revolutions at rapid speed

Opportunities: CIRCULAR ECONOMY - The power of self-control, the creation of future

The circular economy model aims to efficiently utilize natural resources throughout the value chain from production to consumption and recovery processes, and to promote the use of high-tech products and services, from which optimizes the use of resources.

Applications of the circular economy will help reduce the cost of business operation, increase competitiveness and lead to global development opportunities worth up to USD 4.5 trillion by 2030 (according to the CEO Guide to the Circular Economy by WBCSD). In addition, the circulatory economy also helps reduce carbon emissions, improve the quality of life worldwide, in accordance with the Paris Agreement and the UN's sustainable development goals.

In order to promote the circular economy, there needs to be consensus from the State, every citizen and the business community; thereby inspiring sustainable changes in the production models of businesses and in consumer behavior.

By moving toward the circular economy, businesses can capture significant benefits, including:

- growth;
- innovation and enhancement of competitiveness;
- cost reduction;
- reduction of energy consumption and CO2 emissions;
- increase in the efficiency of supply chain and resource use.

The key for the circular economy's development is to balance economic benefits with environmental benefits, to save natural resources, and to ensure sustainable development in businesses.

VINAMILK - CREATING A SUSTAINABLE FUTURE

Vinamilk is proud to join hands with the government, individuals and organizations, especially farmers and consumers in designing and making the transformation in the way food is produced, processed and consumed by applying the circular economy. By which, the traditional loop of Take-Make-Disposal will be converted into an economic model of Reduce-Recycle-Reuse with the goal of retaining as much value as possible from resources, products, components and materials.

Reviewing resources, consolidating internal strength and getting ready to transform towards the circular economy and Industry 4.0 technologies will be the guideline for Vinamilk's long-term strategy in order to join hands with other stakeholders to achieve the SDGs.



THE ORIENTATION OF ACTION PLAN

- ▶ Applying the Circular Economy models.
- ▶ Increasing product life cycle: through product design innovation.
- ▶ Introducing circular supply: through using renewable and biological energy or focusing on recycled materials.
- ▶ Restoring resources: reusing resources, by-products or waste.

APPLYING BREAKTHROUGH TECHNOLOGIES, INCLUDING

01

Digital technologies

The Internet of Things (IoT), blockchain, etc. in tracking resources and monitoring the usage of resources, increasing its efficiency and reducing wastes. Also, designing and managing integrated modern technology, managing overall to reduce production costs, saving materials and mitigating environmental impacts.

02

Biological technologies

Applying bioenergy and non-stop finding opportunities to apply bio-based materials in production.



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Consolidated financial statements (VAS)

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Consolidated financial statements according to VAS for the year ended 31 December 2018

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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 Mdm. Mai Kieu Lien Mr. Lee Meng Tat Ms. Dang Thi Thu Ha Mr. Le Thanh Liem Mr. Michael Chye Hin Fah Mr. Nguyen Ba Duong Mr. Do Le Hung Mr. Nguyen Chi Thanh Mr. Alain Xavier Cany Mr. Nguyen Hong Hien	Chairwoman Member Member Member Member Member Member Member Member (from 31 March 2018) Member (from 31 March 2018) Member (until 31 March 2018)
Board of Management	Mdm. Mai Kieu Lien Ms. Bui Thi Huong Mr. Mai Hoai Anh Mr. Le Thanh Liem Mr. Phan Minh Tien Ms. Nguyen Thi Thanh Hoa Mr. Tran Minh Van Mr. Nguyen Quoc Khanh Mr. Trinh Quoc Dung Ms. Ngo Thi Thu Trang	Chief Executive Officer Executive Director – HR, Admin and Public Relation Executive Director – International Sales (from 1 December 2018) Executive Director – Finance Executive Director – Marketing Executive Director – Supply chain Executive Director – Production Executive Director – Research and Development Executive Director – Raw Materials Development Executive Director – Projects (until 1 March 2018)
Registered Office	10 Tan Trao, Tan Phu Ward District 7, Ho Chi Minh City Vietnam	
Auditor	KPMG Limited Vietnam	

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 2018 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 safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 143 to 201 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 Kiều Liên
Chief Executive Officer

Ho Chi Minh City, 28 February 2019

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 2018, 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 2019, as set out on pages 143 to 201.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

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

Auditor’s Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Dairy Products Joint Stock Company and its subsidiaries as at 31 December 2018 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.: 18-01-00231-19-2



Chang Hung Chun
Practicing Auditor Registration
Certificate No. 0863-2018-007-1
Deputy General Director

Ho Chi Minh City, 28 February 2019

Nguyen Thanh Nghi
Practicing Auditor Registration
Certificate No. 0304-2018-007-1

Consolidated statement of financial position
as at 31 December 2018

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

	Code	Note	31/12/2018 VND	1/1/2018 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		20,559,756,794,837	20,307,434,789,529
Cash and cash equivalents	110	V.2	1,522,610,167,671	963,335,914,164
Cash	111		1,072,610,167,671	834,435,914,164
Cash equivalents	112		450,000,000,000	128,900,000,000
Short-term financial investments	120		8,673,926,951,890	10,561,714,377,337
Trading securities	121	V.5(a)	443,154,262,451	443,130,811,523
Allowance for diminution in the value of trading securities	122	V.5(c)	(605,728,258)	(675,708,019)
Held-to-maturity investments	123	V.5(b)	8,231,378,417,697	10,119,259,273,833
Accounts receivable – short-term	130		4,639,447,900,101	4,591,702,853,157
Accounts receivable from customers	131	V.3(a)	3,380,017,354,930	3,613,981,838,047
Prepayments to suppliers	132		876,158,254,325	622,978,664,875
Other short-term receivables	136	V.4(a)	394,535,471,938	367,850,643,578
Allowance for doubtful debts	137	V.3(d)	(11,263,181,092)	(13,193,973,536)
Shortage of assets awaiting for resolution	139		-	85,680,193
Inventories	140	V.6	5,525,845,959,354	4,021,058,976,634
Inventories	141		5,538,304,348,980	4,041,302,638,611
Allowance for inventories	149		(12,458,389,626)	(20,243,661,977)
Other current assets	150		197,925,815,821	169,622,668,237
Short-term prepaid expenses	151	V.12(a)	54,821,120,257	51,933,181,113
Deductible value added tax	152		142,642,380,500	117,132,711,139
Taxes receivable from State Treasury	153		462,315,064	556,775,985

Consolidated statement of financial position
as at 31 December 2018 (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	31/12/2018 VND	1/1/2018 VND
Long-term assets (200 = 210 + 220 + 230 + 240 + 250 + 260)	200		16,806,351,859,342	14,359,884,047,968
Accounts receivable – long-term	210		88,443,241,642	53,774,889,824
Long-term receivables from customers	211	V.3(b)	67,658,410,631	29,973,948,684
Long-term loan receivables	215		3,143,509,548	5,373,558,222
Other long-term receivables	216	V.4(b)	17,641,321,463	18,427,382,918
Fixed assets	220		13,365,353,599,098	10,609,309,098,847
Tangible fixed assets	221	V.9	13,047,771,431,436	10,290,516,618,864
Cost	222		22,952,360,450,312	18,917,435,800,484
Accumulated depreciation	223		(9,904,589,018,876)	(8,626,919,181,620)
Intangible fixed assets	227	V.10	317,582,167,662	318,792,479,983
Cost	228		475,569,436,392	469,549,338,561
Accumulated amortisation	229		(157,987,268,730)	(150,756,858,578)
Investment property	230	V.11	90,248,200,759	95,273,270,528
Cost	231		147,320,450,623	143,340,838,168
Accumulated depreciation	232		(57,072,249,864)	(48,067,567,640)
Long-term work in progress	240		868,245,878,253	1,928,569,256,697
Long-term work in progress	241	V.7	214,398,200,249	181,678,288,317
Construction in progress	242	V.8	653,847,678,004	1,746,890,968,380
Long-term financial investments	250		1,068,660,695,119	555,497,854,952
Investments in associates	252	V.5(c)	497,498,739,617	481,282,722,569
Equity investments in other entities	253	V.5(c)	72,083,527,154	82,336,523,394
Allowance for diminution in the value of long-term financial investments	254	V.5(c)	(921,571,652)	(8,121,391,011)
Held-to-maturity investments	255	V.5(b)	500,000,000,000	-
Other non-current assets	260		1,325,400,244,471	1,117,459,677,120
Long-term prepaid expenses	261	V.12(b)	750,599,476,304	612,134,810,005
Deferred tax assets	262	V.13(a)	36,460,665,848	30,394,768,880
Goodwill	269	V.14	538,340,102,319	474,930,098,235
TOTAL ASSETS (270 = 100 + 200)	270		37,366,108,654,179	34,667,318,837,497

Consolidated statement of financial position
as at 31 December 2018 (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	31/12/2018 VND	1/1/2018 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		11,094,739,362,252	10,794,261,023,636
Current liabilities	310		10,639,592,009,462	10,195,562,827,092
Accounts payable to suppliers	311	V.15	3,991,064,706,111	3,965,691,123,157
Advances from customers	312		535,552,943,437	360,182,469,422
Taxes payable to State Treasury	313	V.17	341,669,047,623	383,314,082,997
Payables to employees	314		215,270,553,609	205,722,836,953
Short-term accrued expenses	315	V.18	1,437,232,532,734	1,528,287,945,458
Short-term unearned revenue	318		6,910,881,322	7,344,630,678
Other short-term payables	319	V.19	2,540,327,951,932	2,783,824,177,984
Short-term borrowings	320	V.16(a)	1,060,047,652,329	268,102,046,087
Provision – short-term	321	V.21(a)	4,502,303,315	603,744,795
Bonus and welfare fundi	322	V.20	507,013,437,050	692,489,769,561
Long-term liabilities	330		455,147,352,790	598,698,196,544
Long-term accrued expenses	333		2,054,753,617	-
Long-term unearned revenue	336		415,848,218	1,039,560,218
Other long-term payables	337		29,607,431,175	16,567,661,700
Long-term borrowings	338	V.16(b)	215,798,919,361	274,949,439,387
Deferred tax liabilities	341	V.13(b)	204,757,714,031	203,618,107,064
Provision – long-term	342	V.21(b)	2,512,686,388	102,523,428,175
EQUITY (400 = 410)	400		26,271,369,291,927	23,873,057,813,861
Owners' equity	410	V.22	26,271,369,291,927	23,873,057,813,861
Share capital	411	V.23	17,416,877,930,000	14,514,534,290,000
Share premium	412		-	260,699,620,761
Treasury shares	415	V.23	(10,485,707,360)	(7,159,821,800)
Foreign exchange differences	417		27,635,831,784	18,367,457,133
Investment and development fund	418		1,191,672,373,593	2,851,905,410,228
Retained profits	421		7,155,434,314,256	5,736,920,629,462
- Retained profits brought forward	421a		3,560,050,505,957	2,646,643,972,283
- Profit for the current year	421b		3,595,383,808,299	3,090,276,657,179
Non-controlling interest	429		490,234,549,654	497,790,228,077
TOTAL RESOURCE (440 = 300 + 400)	440		37,366,108,654,179	34,667,318,837,497

Prepared by:

28 February 2019

Approved by:

Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Mai Kieu Lien
Chief Executive Officer

Consolidated statement of income as at 31 December 2018

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

	Code	Note	2018 VND	2017 VND
Revenue from sales of goods and provi- sion of services	01	VI.1	52,629,230,427,284	51,134,899,765,079
Revenue deductions	02	VI.1	67,280,456,692	93,823,879,970
Net revenue (10 = 01 - 02)	10	VI.1	52,561,949,970,592	51,041,075,885,109
Cost of sales	11	VI.2	27,950,543,501,501	26,806,931,066,476
Gross profit (20 = 10 - 11)	20		24,611,406,469,091	24,234,144,818,633
Financial income	21	VI.3	759,917,391,001	816,316,778,535
Financial expenses	22	VI.4	118,007,001,674	87,037,548,276
<i>In which: Interest expense</i>	23		51,367,418,852	29,438,568,563
Share of profit in associates	24	V.5(c)	22,433,720,557	67,133,981,642
Selling expenses	25	VI.7	12,265,936,906,433	11,536,533,571,799
General and administration expenses	26	VI.8	1,133,300,231,790	1,267,606,271,090
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		11,876,513,440,752	12,226,418,187,645
Other income	31	VI.5	450,247,329,980	213,080,586,430
Other expenses	32	VI.6	275,064,504,609	210,553,389,939
Results of other activities (40 = 31 - 32)	40		175,182,825,371	2,527,196,491

Consolidated statement of income as at 31 December 2018 (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	2018 VND	2017 VND
Profit before tax (50 = 30 + 40)	50		12,051,696,266,123	12,228,945,384,136
Income tax expense – current	51	VI.10	1,874,905,225,483	1,967,066,705,229
Income tax benefit – deferred	52	VI.10	(28,838,670,599)	(16,295,874,259)
Net profit after tax (60 = 50 - 51 - 52)	60		10,205,629,711,239	10,278,174,553,166
Attributable to:				
Equity holders of the Company	61		10,227,281,151,464	10,295,665,148,846
Non-controlling interest	62		(21,651,440,225)	(17,490,595,680)
Basic earnings per share	70	VI.11	5,295	5,296

28 February 2019

Prepared by:



Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

Consolidated statement of cash flows for the year ended 31 December 2018 (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	2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		12,051,696,266,123	12,228,945,384,136
Adjustments for				
Depreciation and amortisation	02		1,626,632,382,351	1,299,870,153,900
Allowances and provisions	03		(91,866,480,156)	9,211,986,688
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(1,358,149,087)	3,716,375,078
Losses on disposals of fixed assets and construction in progress	05		70,047,516,026	11,626,288,383
Dividends and interest income	05		(678,576,213,360)	(770,127,530,460)
Share of profit in associates	05		(22,433,720,557)	(67,133,981,642)
Allocation of goodwill	02		56,921,527,942	24,621,398,026
Profits from other investing activities	05		(2,577,225,436)	-
Interest expense	06	VI.4	51,367,418,852	29,438,568,563
Operating profit before changes in working capital	08		13,059,853,322,698	12,770,168,642,672
Change in receivables	09		(108,535,667,272)	(1,599,146,216,641)
Change in inventories	10		(1,685,436,671,924)	318,469,641,939
Change in payables and other liabilities	11		(14,512,675,616)	958,729,788,071
Change in prepaid expenses	12		68,658,670,747	(9,999,654,740)
Interest paid	14		(110,740,338,598)	(65,131,015,206)
Income tax paid	15	V.17	(1,879,580,376,609)	(1,933,509,580,614)
Other payments for operating activities	17		(1,189,467,230,777)	(837,987,080,389)
Net cash flows from operating activities	20		8,140,239,032,649	9,601,594,525,092

Consolidated statement of cash flows for the year ended 31 December 2018 (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	2018 VND	2017 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(3,185,795,437,639)	(2,672,989,490,186)
Collections on disposals of fixed assets and other long-term assets	22		94,475,512,924	120,711,406,540
Collections from/(payments for) time deposits	23		1,199,161,995,594	(218,248,720,396)
Collections of loans	24		2,230,048,674	1,872,350,540
Receipts from sales of debt instruments of other entities	24		190,785,778,116	300,000,000,000
Payments for investments in other entities	25		(12,250,000,000)	(86,830,000,000)
Collections from investments in other entities	26		18,467,703,509	23,329,037,647
Receipts of interest and dividends	27		782,637,018,033	754,960,073,066
Net cash (outflow)/inflow from business acquisition	28	V.1	(134,857,255,395)	6,206,321,842
Net cash flows from investing activities	30		(1,045,144,636,184)	(1,770,989,020,947)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for repurchase of treasury shares	32		(3,325,885,560)	(5,983,485,880)
Payments for purchase shares from non-controlling interest in a subsidiary	32		-	(276,417,487,058)
Proceeds from borrowings	33		4,827,980,040,068	2,777,050,122,470
Payments to settle loan principals	34		(4,103,588,818,554)	(4,224,186,861,900)
Payments of dividends	36		(7,256,172,407,500)	(5,805,807,717,105)
Net cash flows from financing activities	40		(6,535,107,071,546)	(7,535,345,429,473)

Consolidated statement of cash flows for the year ended 31 December 2018 (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	2018 VND	2017 VND
Net cash flows during the year (50 = 20 + 30 + 40)	50		559,987,324,919	295,260,074,672
Cash and cash equivalents at the beginning of the year	60		963,335,914,164	655,423,095,436
Effect of exchange rate fluctuations on cash and cash equivalents	61		(1,230,025,973)	(707,624,645)
Currency translation differences	62		516,954,561	13,360,368,701
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61 + 62)	70	V.2	1,522,610,167,671	963,335,914,164

28 February 2019

Prepared by:

Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Approved by:

Mai Kieu Lien
Chief Executive Officer

Notes to the consolidated financial statements for the year ended 31 December 2018

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.

The 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 to be 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. 463041000209 issued by the Management of Vietnam – Singapore Industrial Park.

Notes to the consolidated financial statements for the year ended 31 December 2018 (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: Vietnam Dairy Products Joint Stock 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: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 663/BKHDT-DTRNN 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.
- 6 January 2014: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 667/BKHDT-DTRNN issued by the Ministry of Investment and Planning, investing in Angkor Dairy Products Co., Ltd. in Phnompenh, Cambodia with 51% of ownership.
- 30 May 2014: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 709//BKHDT-DTRNN issued by the Ministry of Investment and Planning, to establish Vinamilk Europe sp.z.o.o in Poland with 100% of ownership.
- 24 February 2014: The Board of Management of Vietnam Dairy Products Joint Stock Company 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 the Notice No. 14191/15 to liquidate International Real Estate One Member Limited Company.
- 19 May 2016: Vietnam Dairy Products Joint Stock Company received the 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% to 100%.
- 19 January 2017: Vietnam Dairy Products Joint Stock Company received its 25th revised Business Registration certificate dated 18 January 2017, issued by the Ho Chi Minh Department of Planning and Investment. Accordingly, Lamson Dairy Products One member Company Limited was merged into Vietnam Dairy Products Joint Stock Company (prior to the merger, it was a 100% subsidiary owned by the Company). The Company completed the merger on 1 March 2017.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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- 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 of USD20.9 million and increased ownership percentage in Angkormilk from 51% to 100%.
- 20 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 has entered into an agreement to purchase newly issued shares of Khanh Hoa Sugar Joint Stock Company and took 65% equity interest. The transaction has been 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 complex high-tech beef – dairy farms. The transaction was completed on 23 November 2018.

2. Principal activities

The principal activities of the Company are to:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
 - Trade in food technology, spare parts, equipment, materials and chemicals;
 - Trade in real estate, owner or leasing land use rights (according to rule No. 11.3 of 2014 Real Estate Law);
 - Trade in warehouse, yards;
 - 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 health care 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; and
- Retail alcoholic drinks, non-alcoholic drinks (carbonated and non-carbonated soft drinks), natural mineral water, low-alcoholic or non-alcoholic wine and beer.

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3. Normal operating cycle

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

4. Group structure

As at 31 December 2018, the Group had 7 subsidiaries and 3 associates (1 January 2018: 6 subsidiaries and 3 associates) and dependent units as follows:

(a) Subsidiaries

Name	Location	Principal activities	% of ownership/ voting rights
Vietnam Dairy Cow One Member Limited Company	10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City	Dairy cow raising	100.00%
Thong Nhat Thanh Hoa Dairy Cow Limited Company	Ward 1, Thong Nhat Town, Yen Dinh District, Thanh Hoa Province	Milk production and cattle raising	100.00%
Driftwood Dairy Holding Corporation	No. 10724, Street Lower Azusa and El Monte Boulevards Intersection, California 91731-1390, United States	Milk production	100.00%
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%
Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia	Ul. Gwiazdzista 7a/401-651 Warszawa, Poland	Dairy raw materials and animal trading	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%
Lao-Jagro Development Xiengkhouang Co., Ltd., (*)	Boungvene Village, Paek District, Xiengkhouang Province, Lao PDR	Dairy cow raising and agricultural products trading	51.00%

I(*) In November 2018, the Company completed its acquisition of 51% equity interest of Lao-Jagro Development Xiengkhouang Co., Ltd..

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(b) Associates

Name	Location	Principal activities	% of ownership/ voting rights
Miraka Holdings Limited	108 Tuwharetoa, Taupo, New Zealand	Milk production	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%
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%

(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.
- 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.

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- 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 Logistic Enterprise – Km 10 Highway 5, Duong Xa Commune, Gia Lam District, Ha Noi City.

Clinic:

- 1/An Khang General Clinic – 184-186-188 Nguyen 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 2018, the Group had 8,082 employees (1/1/2018: 7,845 employees).

II. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

1. Annual accounting period

The annual accounting period 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.

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.

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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.

(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.

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(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, 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.

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 period 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.

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(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 period. 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 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.

(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, corporate bonds, redeemable preference shares which the issuers are required to repurchase at a certain date and granting loans held-to-maturity. These investments are stated at costs less allowance for diminution in the value.

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

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(c) Loans receivable

Loan receivables are loan 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.

6. Inventories

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

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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 – 15 years
- motor vehicles 6 – 10 years
- office equipment 3 – 10 years
- livestock 6 years
- others 3 years

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

Definite 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.

(b) Software

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

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(c) Others

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

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:

- land use rights 49 years
- infrastructure 10 years
- buildings 6 – 50 years

Indefinite life land use rights are not amortised.

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 period 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 – 4 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 period but not yet paid due to the lack of receipts or supporting documents, are recognised as manufacturing and operating expense in the reporting period 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 annual accounting period. 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 annual accounting period, and any adjustment to tax payable in respect of previous years.

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

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

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 annual accounting period. 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) Revenue from disposal of short-term and long-term investments

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

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 incur 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 straight-line basis over the term of the lease. Lease incentives received are recognised in the consolidated statement of income as an integral part of the total lease expense.

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 period 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 10% of profit after tax
- Investment and development fund 10% of profit after tax

Utilisation of the above reserve funds requires approval of the shareholders, the Board of Directors or the Chief Executive Officer, depending on the nature and magnitude of the transactions involved as stated in the Company's Charter. 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 period) by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

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

1. Business combination

In November 2018, the Company completed the acquisition of 51% equity interest of Lao-Jagro Development Xieng-Khouang Co., Ltd. (“LDX”) for a total consideration of VND135,002,631,045, including transaction costs.

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	145,375,650	-	145,375,650
Accounts receivable – short-term	835,604,154	-	835,604,154
Other short-term receivables	38,799,758,764	-	38,799,758,764
Inventories	24,644,142,544	-	24,644,142,544
Short-term prepaid expenses	2,137,709,133	-	2,137,709,133
Tangible fixed assets	75,902,380,474	-	75,902,380,474
Cost	118,155,044,070	-	118,155,044,070
Accumulated depreciation	(42,252,663,596)	-	(42,252,663,596)
Construction in progress	41,775,811,751	-	41,775,811,751
Long-term prepaid expenses	-	112,529,876,900	112,529,876,900
Accounts payable to suppliers	(5,488,382,090)	-	(5,488,382,090)
Advances from customers	(6,755,429,100)	-	(6,755,429,100)
Short-term accrued expenses	(2,504,390,000)	-	(2,504,390,000)
Other short-term payables	(228,683,337,537)	-	(228,683,337,537)
Long-term accrued expenses	(2,066,284,442)	-	(2,066,284,442)
Deferred tax liabilities	-	(22,505,975,380)	(22,505,975,380)
Net identifiable assets and liabilities	(61,257,040,699)	90,023,901,520	28,766,860,821
Share of net assets acquired (51%)			14,671,099,019
Goodwill on acquisition (Note V.14)			120,331,532,026
Total considerations			135,002,631,045
Cash acquired			145,375,650
Net cash outflow			(134,857,255,395)

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

The acquisition was on 23 November 2018; 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 2018 is insignificant.

2. Cash and cash equivalents

	31/12/2018 VND	1/1/2018 VND
Cash on hand	1,853,588,837	2,451,074,646
Cash in bank	988,996,467,314	831,957,513,762
Cash in transit	81,760,111,520	27,325,756
Cash equivalents	450,000,000,000	128,900,000,000
	<u>1,522,610,167,671</u>	<u>963,335,914,164</u>

3. Accounts receivable from customers

(a) Accounts receivable from customers – short-term

	31/12/2018 VND	1/1/2018 VND
Receivables from customers	<u>3,380,017,354,930</u>	<u>3,613,981,838,047</u>

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(b) Accounts receivable from customers – long-term

	31/12/2018 VND	1/1/2018 VND
SIG Combibloc Ltd	67,658,410,631	29,973,948,684

(c) Accounts receivable from related parties

	31/12/2018 VND	1/1/2018 VND
Associate		
APIS Corporation	-	136,184,400

The trade related amount due from the related party were unsecured, interest free and receivable on demand.

(d) Short-term allowance for doubtful debts

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

	2018 VND	2017 VND
Opening balance	(13,193,973,536)	(4,168,573,420)
Increase in allowance during the year	(4,925,309,687)	(5,847,869,352)
Increase from business acquisition	-	(4,587,629,312)
Allowance written off during the year	21,001,389	-
Allowance used during the year	6,933,068,631	1,404,130,066
Currency translation differences	(97,967,889)	5,968,482
Closing balance	(11,263,181,092)	(13,193,973,536)

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4. Other receivables

(a) Other short-term receivables

	31/12/2018 VND	1/1/2018 VND
Interest income from deposits	202,996,875,720	297,901,556,067
Interest income from bonds	-	4,595,917,808
Receivables from employees	3,086,744,596	3,361,739,097
Advances to employees	1,758,960,406	2,791,137,549
Short-term deposits	5,056,861,106	29,053,532,031
Import tax refundable	6,487,398,794	11,286,997,201
Rebate income receivable from suppliers	67,394,546,080	-
Others	107,754,085,236	18,859,763,825
	394,535,471,938	367,850,643,578

(b) Other long-term receivables

	31/12/2018 VND	1/1/2018 VND
Collateral, deposits	12,641,321,463	12,179,698,092
Others	5,000,000,000	6,247,684,826
	17,641,321,463	18,427,382,918

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5. Investments
(a) Trading securities

	31/12/2018			1/1/2018		
	Carrying amount VND	Fair value VND	Allowance for diminution in value VND	Carrying amount VND	Fair value VND	Allowance for diminution in value VND
Short-term investments in shares:						
- Bao Viet Joint Stock Commercial Bank (*)	442,000,000,000	442,000,000,000	-	442,000,000,000	442,000,000,000	-
- Others	1,154,262,451	548,543,733	(605,728,258)	1,130,811,523	455,157,504	(675,708,019)
	443,154,262,451	442,548,543,733	(605,728,258)	443,130,811,523	442,455,157,504	(675,708,019)

(*) At the reporting date, the Group has entered into a share purchase agreement to transfer its securities of Bao Viet Joint Stock Commercial Bank, the transaction has not completed (Note V.19). The fair value of the securities represented the expected realisable amount.

(b) Held-to-maturity investments

	Note	31/12/2018 VND	1/1/2018 VND
Held-to-maturity investments – short-term			
- term deposits	(*)	8,231,378,417,697	9,929,259,273,833
- corporate bonds		-	190,000,000,000
		8,231,378,417,697	10,119,259,273,833
Held-to-maturity investments – long-term			
- term deposits	(**)	500,000,000,000	-
		500,000,000,000	-

(*) At 31 December 2018 term deposits with carrying amount of VND84,000 million (1/1/2018: VND82,977 million) were pledged with banks as security for loans granted to the Group (Note V.16(b)(i)).

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 3.80% to 8.00% per annum (for the year ended 31 December 2017: from 4.20% to 7.35% per annum).

(**) The amounts represented term deposits at banks with the remaining term to maturity of over 12 months and earned interest at 7.30% per annum.

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(c) Investments in other entities

	31 December 2018			1 January 2018				
	% of equity owned and voting rights	Cost VND	Fair value VND	Allowance for diminution in value VND	% of equity owned and voting rights	Cost VND	Fair value VND	Allowance for diminution in value VND
Investments in associates								
- Miraka Holdings Limited	22.81%	383,178,796,529	(*)	-	22.81%	383,002,013,497	(*)	-
- Asia Coconut Processing Joint Stock Company	25.00%	90,176,090,417	(*)	-	25.00%	86,858,993,107	(*)	-
- APIS Corporation (**)	20.00%	24,143,852,671	(*)	-	18.00%	11,421,715,965	(*)	-
		497,498,739,617		-		481,282,722,569		-
Equity investment in other entities								
- Asia Saigon Food Ingredients Joint Stock Company		69,261,607,154	(*)	-		69,261,607,154	(*)	-
- Vietnam Growth Investment Fund (VF2) (***)		-		-		10,270,276,240	(*)	(7,501,517,042)
- An Khang Clinic – Pharmacy		300,000,000	(*)	-		300,000,000	(*)	-
- Mien Trung Bovine Breeding JSC		1,688,700,000	(*)	(921,571,652)		1,688,700,000	(*)	(619,873,969)
- Others		833,220,000	(*)	-		815,940,000	(*)	-
		72,083,527,154		(921,571,652)		82,336,523,394		(8,121,391,011)
		569,582,266,771		(921,571,652)		563,619,245,963		(8,121,391,011)

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

(**) The Board of Management assessed that the Group had significant influence over this entity because the Group has the right to appoint members in the Board of Directors of this entity. In 2018, the Group purchased additional shares to increase equity interest in this entity from 18% to 20%.

(***) On 31 January 2018, the Company completed dissolution of its investment in Vietnam Growth Investment Fund.

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

	2018 VND	2017 VND
Opening balance	481,282,722,569	419,909,385,728
Investments	12,250,000,000	86,830,000,000
Reclassification to investment in other entities	-	(69,261,607,154)
Dividends received	(18,467,703,509)	(23,329,037,647)
Share of profit in associates	22,433,720,557	67,133,981,642
Closing balance	497,498,739,617	481,282,722,569

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

	2018 VND	2017 VND
Opening balance	(675,708,019)	(500,629,886)
Increase in allowance during the year	-	(175,958,650)
Allowance written off during the year	83,783,711	-
Currency translation differences	(13,803,950)	880,517
Closing balance	(605,728,258)	(675,708,019)

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

	2018 VND	2017 VND
Opening balance	(8,121,391,011)	(7,490,301,769)
Increase in allowance during the year	(301,697,683)	(104,012,579)
Increase from business acquisition	-	(527,076,663)
Allowance utilised during the year	7,501,517,042	-
Closing balance	(921,571,652)	(8,121,391,011)

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6. Inventories

	31/12/2018		1/1/2018	
	Carrying amount VND	Allowance VND	Carrying amount VND	Allowance VND
Goods in transit	1,238,073,977,728	-	380,503,277,233	-
Raw materials	2,768,993,402,085	(6,086,246,473)	2,439,272,049,098	(2,135,991,214)
Tools and supplies	28,371,666,681	-	26,711,030,133	-
Work in progress	104,353,403,803	-	77,589,988,406	-
Finished goods	1,338,140,872,718	(6,372,143,153)	1,041,691,837,644	(14,547,884,445)
Merchandise inventories	59,011,157,448	-	41,020,467,002	(2,709,989,802)
Goods on consignment	1,359,868,517	-	34,513,989,095	(849,796,516)
	5,538,304,348,980	(12,458,389,626)	4,041,302,638,611	(20,243,661,977)

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

	2018 VND	2017 VND
Opening balance	(20,243,661,977)	(16,673,491,246)
Increase in allowance during the year	(30,540,848,073)	(9,160,484,387)
Increase from business acquisition	-	(16,052,083,010)
Written back	35,609,112,758	13,028,757,470
Allowance used during the year	2,717,007,666	8,613,639,196
Closing balance	(12,458,389,626)	(20,243,661,977)

7. Long-term work in progress

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

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8. Construction in progress

	2018 VND	2017 VND
Opening balance	1,746,890,968,380	865,440,052,609
Additions	2,522,897,009,069	2,437,605,929,161
Increase from business acquisition (Note V.1)	41,775,811,751	44,275,267,976
Transfer to tangible fixed assets	(3,506,082,322,887)	(1,505,861,968,991)
Transfer to intangible fixed assets	(9,493,334,500)	(11,957,912,736)
Transfer to investment properties	-	(6,954,545,455)
Transfer to inventories	(7,369,748,224)	(2,929,898,206)
Transfer to short-term prepaid expenses	(1,578,803,935)	(4,439,398,575)
Transfer to long-term prepaid expenses	(92,804,867,250)	(27,956,225,152)
Disposals	(29,427,130,703)	(1,419,928,274)
Other decreases	(11,114,841,576)	(38,897,739,866)
Currency translation differences	154,937,879	(12,664,111)
Closing balance	653,847,678,004	1,746,890,968,380

Major constructions in progress were as follows:

	31/12/2018 VND	1/1/2018 VND
Tien Son Dairy Factory	118,287,279,593	7,647,715,001
Thong Nhat Thanh Hoa Dairy Cow Farm	199,731,336,725	404,442,492,838
Others	335,829,061,686	1,334,800,760,541
	653,847,678,004	1,746,890,968,380

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9. Tangible fixed assets

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	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Others VND	Total VND
Cost							
Opening balance	3,943,236,097,354	12,569,658,769,094	981,123,921,171	537,837,961,738	871,057,030,359	14,522,020,768	18,917,435,800,484
Additions	27,007,089,837	604,113,171,496	42,896,327,950	70,112,666,214	74,161,762,305	-	818,291,017,802
Transfer from inventories	-	-	-	-	182,089,084,681	-	182,089,084,681
Transfer from construction in progress	530,341,603,378	2,862,320,136,493	72,699,095,464	37,660,175,139	-	3,061,312,413	3,506,082,322,887
Transfer to investment property	(3,042,107,250)	-	-	-	-	-	(3,042,107,250)
Increase from business acquisition (Note V.1)	12,796,743,960	20,092,302,252	5,611,277,814	10,167,213,595	69,487,506,449	-	118,155,044,070
Reclassification	596,510,716	(128,188,272)	571,933,621	(1,040,256,065)	-	-	-
Disposals	(19,295,997,118)	(365,818,949,676)	(14,030,150,991)	(9,801,380,561)	(194,297,937,614)	(1,281,426,371)	(604,525,842,331)
Other decreases	-	-	-	-	(2,926,227,380)	-	(2,926,227,380)
Currency translation differences	3,587,369,716	15,003,899,057	2,191,519,262	405,364,750	(388,114,968)	1,319,532	20,801,357,349
Closing balance	4,495,227,310,593	15,705,241,140,444	1,091,063,924,291	645,341,744,810	999,183,103,832	16,303,226,342	22,952,360,450,312
Accumulated depreciation							
Opening balance	1,238,923,259,212	6,297,570,079,076	466,335,129,879	405,033,023,727	217,959,537,855	1,098,151,871	8,626,919,181,620
Charge for the year	205,617,980,099	1,096,142,787,334	96,567,501,674	53,546,831,467	151,831,644,760	628,632,180	1,604,335,377,514
Transfer to investment property	(2,331,508,157)	-	-	-	-	-	(2,331,508,157)
Increase from business acquisition (Note V.1)	2,247,935,344	8,285,984,953	1,625,116,127	4,673,978,668	25,419,648,504	-	42,252,663,596
Reclassification	3,419,075,283	(4,473,991,600)	16,620,323	1,038,295,994	-	-	-
Disposals	(8,649,811,916)	(269,100,104,150)	(10,210,748,104)	(9,753,398,852)	(80,113,881,616)	(157,666,994)	(377,985,611,632)
Other decreases	-	-	-	-	(148,612,000)	-	(148,612,000)
Currency translation differences	1,165,396,055	8,866,047,795	1,344,961,146	314,297,044	(136,983,980)	(6,190,125)	11,547,527,935
Closing balance	1,440,392,325,920	7,137,290,803,408	555,678,581,045	454,853,028,048	314,811,353,523	1,562,926,932	9,904,589,018,876
Net book value							
Opening balance	2,704,312,838,142	6,272,088,690,018	514,788,791,292	132,804,938,011	653,097,492,504	13,423,868,897	10,290,516,618,864
Closing balance	3,054,834,984,673	8,567,950,337,036	535,385,343,246	190,488,716,762	684,371,750,309	14,740,299,410	13,047,771,431,436

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Included in the cost of tangible fixed assets were assets costing VND3,051,391 million which were fully depreciated as at 31 December 2018 (1/1/2018: VND2,223,578 million), but which are still in active use.
At 31 December 2018 tangible fixed assets with net book value of VND417,751 million (1/1/2018: VND624,701 million) were pledged with banks as security for loans granted to the Group (Note V.16(a)(iii) and Note V.16(b)(i)).

10. Intangible fixed assets

	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	272,302,189,084	148,064,099,477	49,183,050,000	469,549,338,561
Additions	-	1,146,206,000	-	1,146,206,000
Transfer from construction in progress	-	9,493,334,500	-	9,493,334,500
Transfer to investment property	(937,505,205)	-	-	(937,505,205)
Disposals/written off	-	(9,185,470,118)	-	(9,185,470,118)
Currency translation differences	4,423,062,254	38,870,400	1,041,600,000	5,503,532,654
Closing balance	275,787,746,133	149,557,040,259	50,224,650,000	475,569,436,392
Accumulated amortisation				
Opening balance	11,620,088,484	105,819,220,094	33,317,550,000	150,756,858,578
Charge for the year	18,028,947	15,930,322,866	-	15,948,351,813
Transfer to investment property	(324,521,046)	-	-	(324,521,046)
Disposals/written off	-	(9,117,467,783)	-	(9,117,467,783)
Currency translation differences	-	18,447,168	705,600,000	724,047,168
Closing balance	11,313,596,385	112,650,522,345	34,023,150,000	157,987,268,730
Net book value				
Opening balance	260,682,100,600	42,244,879,383	15,865,500,000	318,792,479,983
Closing balance	264,474,149,748	36,906,517,914	16,201,500,000	317,582,167,662

Included in the cost of intangible fixed assets were assets costing VND54,118 million which were fully amortised as at 31 December 2018 (1/1/2018: VND57,675 million), but which are still in use.

At 31 December 2018 intangible fixed assets with net book value of VND229,476 million (1/1/2018: VND224,717 million) were pledged with banks as security for loans granted to the Group (Note V.16(b)(i)).

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11. Investment property

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
Cost				
Opening balance	38,884,288,170	6,464,218,561	97,992,331,437	143,340,838,168
Transfer from tangible fixed assets	-	-	3,042,107,250	3,042,107,250
Transfer from intangible fixed assets	937,505,205	-	-	937,505,205
Closing balance	39,821,793,375	6,464,218,561	101,034,438,687	147,320,450,623
Accumulated depreciation				
Opening balance	3,438,746,575	5,186,933,954	39,441,887,111	48,067,567,640
Charge for the year	847,643,745	611,363,990	4,889,645,286	6,348,653,021
Transfer from tangible fixed assets	-	-	2,331,508,157	2,331,508,157
Transfer from intangible fixed assets	324,521,046	-	-	324,521,046
Closing balance	4,610,911,366	5,798,297,944	46,663,040,554	57,072,249,864
Net book value				
Opening balance	35,445,541,595	1,277,284,607	58,550,444,326	95,273,270,528
Closing balance	35,210,882,009	665,920,617	54,371,398,133	90,248,200,759

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 amounts.

Included in the cost of investment property held to earn rental was assets costing VND7,892 million which were fully depreciated as at 31 December 2018 (1/1/2018: VND7,892 million), but which are still in active use.

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12. Prepaid expenses

(a) Short-term prepaid expenses

	31/12/2018 VND	1/1/2018 VND
Software deployment and networks maintenance expenses	5,593,701,960	4,659,874,251
Advertising expenses	1,760,281,563	3,141,628,217
Maintenance expenses	181,380,023	1,282,268,280
Operating lease expenses	1,604,474,481	4,400,080,539
Tools and supplies expenses	16,273,567,247	14,812,192,425
Renovation and repair expenses	11,759,637,267	4,166,496,897
Other short-term prepaid expenses	17,648,077,716	19,470,640,504
	<u>54,821,120,257</u>	<u>51,933,181,113</u>

(b) Long-term prepaid expenses

	Prepaid land costs VND	Tools and instruments VND	Other prepaid expenses VND	Total VND
Opening balance	317,241,313,206	246,564,406,543	48,329,090,256	612,134,810,005
Additions	256,036,800	95,546,199,500	23,510,740,991	119,312,977,291
Transfer from construction in progress	1,343,676,077	25,001,818,254	66,459,372,919	92,804,867,250
Other increase from business acquisition (Note V.1)	112,529,876,900	-	-	112,529,876,900
Amortisation for the year	(9,430,110,244)	(139,196,390,073)	(38,084,242,973)	(186,710,743,290)
Other increases/(decreases)	141,385,401	(269,097,633)	(304,618,762)	(432,330,994)
Currency translation differences	692,520,336	242,910,149	24,588,657	960,019,142
Closing balance	<u>422,774,698,476</u>	<u>227,889,846,740</u>	<u>99,934,931,088</u>	<u>750,599,476,304</u>

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13. Deferred tax assets and liabilities

(a) Deferred tax assets

	Tax rate	31/12/2018 VND	1/1/2018 VND
Deferred tax assets			
Foreign exchange differences	20%	4,506,066,449	327,773,815
Accrued expenses and provisions	20%	31,954,599,399	30,067,817,400
		<u>36,460,665,848</u>	<u>30,395,591,215</u>
Deferred tax liabilities			
Foreign exchange differences	20%	-	(822,335)
Net deferred tax assets		<u>36,460,665,848</u>	<u>30,394,768,880</u>

(b) Deferred tax liabilities

	31/12/2018 VND	1/1/2018 VND
Deferred tax assets		
Accounts receivable	1,172,386,830	1,442,785,905
Inventories	941,746,905	1,332,520,680
Tax losses carry forwards	31,369,020,270	50,205,264,165
Accrued expenses	5,670,987,900	6,978,394,845
Others	2,500,562,655	5,335,318,335
Total deferred tax assets	<u>41,654,704,560</u>	<u>65,294,283,930</u>
Deferred tax liabilities		
Fixed assets	(221,960,420,440)	(245,562,341,369)
Others	(24,451,998,151)	(23,350,049,625)
Total deferred tax liabilities	<u>(246,412,418,591)</u>	<u>(268,912,390,994)</u>
Net deferred tax liabilities	<u>(204,757,714,031)</u>	<u>(203,618,107,064)</u>

Deferred tax liabilities have been recognised on taxable temporary differences and tax losses using the effective tax rate of Driftwood Dairy Holding Corporation, Angkor Dairy Products Co., Ltd and Vietnam Sugar Joint Stock Company, subsidiaries incorporated and operating in the United States of America, Cambodia and Vietnam, respectively.

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14. Goodwill

	2018 VND	2017 VND
Opening balance	474,930,098,235	123,983,090,462
Increase from business acquisition (Note V.1)	120,331,532,026	375,568,405,799
Charge for the year	(56,921,527,942)	(24,621,398,026)
Closing balance	538,340,102,319	474,930,098,235

15. Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliersv

	31/12/2018		1/1/2018	
	Carrying amount VND	Repayable amount VND	Carrying amount VND	Repayable amount VND
Dai Tan Viet Joint Stock Company	691,822,724,098	691,822,724,098	811,664,433,728	811,664,433,728
Other suppliers	3,299,241,982,013	3,299,241,982,013	3,154,026,689,429	3,154,026,689,429
	3,991,064,706,111	3,991,064,706,111	3,965,691,123,157	3,965,691,123,157

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(b) Accounts payable to related parties

	31/12/2018 VND	1/1/2018 VND
Associate		
APIS Corporation	17,295,725,739	40,890,765,724

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

16. Borrowings

(a) Short-term borrowings

	1/1/2018 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2018 VND
Short-term borrowings	208,204,796,087	6,246,021,226,056	(5,454,072,234,516)	2,031,364,702	1,002,185,152,329
Current portion of long-term borrowings	59,897,250,000	63,266,500,000	(66,416,000,000)	1,114,750,000	57,862,500,000
	268,102,046,087	6,309,287,726,056	(5,520,488,234,516)	3,146,114,702	1,060,047,652,329

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

Lenders	Note	Currency	Annual interest rate	31/12/2018 VND	1/1/2018 VND
The Bank of Tokyo -Mitsubishi UFJ Ltd., Ho Chi Minh City Branch	(i)	VND	5.15%	700,000,000,000	-
Wells Fargo	(ii)	USD	4.59%	67,170,339,517	108,204,796,087
Joint Stock Commercial Bank for Investment and Development of Vietnam	(iii)	VND	5.85% - 6.00%	135,014,812,812	-
Vietnam Bank for Agriculture and Rural Development	(iii)	VND	5.50% - 6.00%	100,000,000,000	100,000,000,000
				<u>1,002,185,152,329</u>	<u>208,204,796,087</u>

- (i) This loan was unsecured.
- (ii) This loan was secured by accounts receivable from customers with carrying amount of VND278,495 million as at 31 December 2018 (1/1/2018: VND211,976 million).
- (iii) These loans were secured by fixed assets with carrying amount of VND250,736 million as at 31 December 2018 (1/1/2018: VND459,754 million) (Note V.9).

(b) Long-term borrowings

	1/1/2018 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2018 VND
Long-term borrowings	334,846,689,387	56,236,683	(67,614,006,709)	6,372,500,000	273,661,419,361
Current portion of long-term borrowings	(59,897,250,000)	(63,266,500,000)	66,416,000,000	(1,114,750,000)	(57,862,500,000)
	<u>274,949,439,387</u>	<u>(63,210,263,317)</u>	<u>(1,198,006,709)</u>	<u>5,257,750,000</u>	<u>215,798,919,361</u>

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

Lenders	Note	Currency	Annual interest rate	Year of maturity	31/12/2018 VND	1/1/2018 VND
Sumitomo Mitsui Banking Corporation, Ho Chi Minh City Branch	(i)	USD	4.11%	2020	266,167,500,000	317,310,000,000
Individuals	(ii)	VND	5.40%	2039	7,493,919,361	8,635,689,387
Joint Stock Commercial Bank for Investment and Development of Vietnam		VND	5.40%	2018	-	8,900,000,000
Vietnam Bank for Agriculture and Rural Development		VND	5.40%	2018	-	1,000,000
					<u>273,661,419,361</u>	<u>334,846,689,387</u>

- (i) This loan was secured by term deposits and fixed assets with carrying amount of VND84,000 million (1/1/2018: VND82,977 million) (Note V.5(b)) and VND396,491 million (1/1/2018: VND389,664 million) (Note V.9, V.10), respectively, as at 31 December 2018.
- (ii) This loan was unsecured.

17. Taxes payable to State Treasury

	1/1/2018 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2018 VND
Value added tax	84,857,613,061	2,103,139,927,789	(2,115,362,640,073)	132,777,329	72,767,678,106
Corporate income tax	245,381,105,644	1,874,905,225,483	(1,879,580,376,609)	(88,507,261)	240,617,447,257
Personal income tax	45,575,976,197	211,008,522,416	(242,705,340,810)	4,801,931	13,883,959,734
Import tax	1,311,030,778	181,481,732,608	(170,209,454,529)	17,665,998	12,600,974,855
Other taxes	6,188,357,317	64,712,111,575	(69,126,269,806)	24,788,585	1,798,987,671
	<u>383,314,082,997</u>	<u>4,435,247,519,871</u>	<u>(4,476,984,081,827)</u>	<u>91,526,582</u>	<u>341,669,047,623</u>

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18. Short-term accrued expenses

	31/12/2018 VND	1/1/2018 VND
Sale incentives, promotion	776,107,581,197	809,759,170,326
Advertising expenses	94,497,076,043	155,863,127,207
Transportation expenses	79,971,625,109	63,804,058,530
Repair and maintenance expenses	28,619,830,706	26,287,942,358
Fuel expenses	13,191,035,875	13,794,033,974
Expenses for outsourced employees	102,360,840,273	61,056,856,176
Rental fees	4,735,827,809	4,302,136,374
Interest expense	230,824,640,480	290,197,560,228
Others	106,924,075,242	103,223,060,285
	1,437,232,532,734	1,528,287,945,458

19. Other short-term payables

	31/12/2018 VND	1/1/2018 VND
Insurance and trade union fees	3,967,101,640	1,399,249,266
Short-term deposits received	35,007,209,187	80,343,110,431
Outstanding cheques in exceed of bank balance	43,268,352,898	41,036,115,977
Other payables relating to financial investments (*)	462,487,474,055	448,007,419,155
Dividend payables	1,741,407,855,000	2,176,917,780,000
Import duty payables	13,862,123,850	22,482,594,509
Others	240,327,835,302	13,637,908,646
	2,540,327,951,932	2,783,824,177,984

(*) Other payables relating to financial investments included an advance payment of VND447,822,000,000 received from a third party in respect of the future transfer of the Group’s investment in Bao Viet Joint Stock Commercial Bank (Note V.5(a)).

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20. Bonus and welfare fund

This fund is established by appropriating from retained profits as approved by shareholders at shareholders’ meet- ing. 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:

	2018 VND	2017 VND
Opening balance	692,489,769,561	456,785,376,550
Appropriation (Note V.22)	1,006,694,001,566	1,071,655,246,780
Other increases	149,174,000	-
Utilisation	(1,192,319,508,077)	(835,950,853,769)
Closing balance	507,013,437,050	692,489,769,561

21. Provision

(a) Provision – short-term

	31/12/2018 VND	1/1/2018 VND
Provision for severance allowance (Note V.21(b))	4,502,303,315	-
Provision for regular fixed assets maintenance	-	603,744,795
Closing balance	4,502,303,315	603,744,795

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(b) Provision – long-term

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

	Provision for severance allowance	
	2018 VND	2017 VND
Opening balance	102,523,428,175	95,960,585,167
Increase in provision during the year	3,235,466,057	6,952,419,190
Increase from business acquisition	-	1,851,507,401
Provision reversed during the year	(95,155,903,798)	-
Provision used during the year	(3,588,000,731)	(2,241,083,583)
Closing balance	7,014,989,703	102,523,428,175
Provision – short-term (Note V.21(a))	4,502,303,315	-
Provision – long-term	2,512,686,388	102,523,428,175

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22. Changes in owners’ equity

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	Share capital VND	Share premium VND	Treasury shares VND	Foreign exchange differences VND	Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
As at 1 January 2017	14,514,534,290,000	260,699,620,761	(1,176,335,920)	5,654,693,453	1,797,019,925,588	5,591,831,510,779	237,385,583,924	22,405,949,288,585
Purchase of treasury shares	-	-	(5,983,485,880)	-	-	-	-	(5,983,485,880)
Purchase of non-controlling interest	-	-	-	-	-	(41,762,522,713)	(234,654,964,345)	(276,417,487,058)
Net profit for the year	-	-	-	-	-	10,295,665,148,846	(17,490,595,680)	10,278,174,553,166
Appropriation to equity funds	-	-	-	-	1,054,885,484,640	(1,054,885,484,640)	-	-
Appropriation to bonus and welfare fund (Note V.20)	-	-	-	-	-	(1,071,655,246,780)	-	(1,071,655,246,780)
Other increase from business acquisition	-	-	-	-	-	-	513,052,965,331	513,052,965,331
Dividends (Note V.24)	-	-	-	-	-	(7,982,272,776,030)	(452,720,796)	(7,982,725,496,826)
Currency translation differences	-	-	-	12,712,763,680	-	-	(50,040,357)	12,662,723,323
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)	-	-	(2,641,644,019,239)	-	-	-
Purchase of treasury shares	-	-	(3,325,885,560)	-	-	-	-	(3,325,885,560)
Net profit for the year	-	-	-	-	-	10,227,281,151,464	(21,651,440,225)	10,205,629,711,239
Appropriation to equity funds	-	-	-	-	981,410,982,604	(981,410,982,604)	-	-
Appropriation to bonus and welfare fund (Note V.20)	-	-	-	-	-	(1,006,694,001,566)	-	(1,006,694,001,566)
Other increase from business acquisition (Note V.1)	-	-	-	-	-	-	14,095,761,802	14,095,761,802
Dividends (Note V.24)	-	-	-	-	-	(6,820,662,482,500)	-	(6,820,662,482,500)
Currency translation differences	-	-	-	9,268,374,651	-	-	-	9,268,374,651
As at 31 December 2018	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

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23. Share capital

The Company’s authorised and issued share capital are:

	31/12/2018		1/1/2018	
	Number of shares	VND	Number of shares	VND
Authorised share capital	1,741,687,793	17,416,877,930,000	1,451,453,429	14,514,534,290,000
Issued shares				
Ordinary shares	1,741,687,793	17,416,877,930,000	1,451,453,429	14,514,534,290,000
Treasury shares				
Ordinary shares	(276,210)	(10,485,707,360)	(174,909)	(7,159,821,800)
Shares currently in circulation				
Ordinary shares	1,741,411,583	17,406,392,222,640	1,451,278,520	14,507,374,468,200

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

Details of share capital:

	31/12/2018		1/1/2018	
	VND	%	VND	%
The State’s capital	6,270,638,350,000	36.00%	5,225,531,960,000	36.00%
Other shareholders’ capital	11,146,239,580,000	64.00%	9,289,002,330,000	64.00%
	17,416,877,930,000	100.00%	14,514,534,290,000	100.00%

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Movements in share capital during the year were as follows:

	2018 VND	2017 VND
Opening balance	14,514,534,290,000	14,514,534,290,000
Capital increase from bonus shares	2,902,343,640,000	-
Closing balance	17,416,877,930,000	14,514,534,290,000

On 13 September 2018, there were 290,234,364 of bonus shares issued to existing shareholders at the ratio of 1 new share for each 5 existing ordinary shares held.

24. Dividends

Pursuant to the Resolution of Annual General Meeting of Shareholders, the Board of Management of the Company on 22 May 2018, 11 May 2018 and 30 November 2018, resolved to distribute dividends in relation to 2017 and 2018 profits, respectively, amounting to VND6,821 billion (VND1,500 per share for remaining dividends 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) (for the year ended 31 December 2017: VND7,982 billion (VND2,000 per share for the second distribution of fiscal year 2016, VND2,000 per share for the first advance distribution for the fiscal year 2017 and VND1,500 per share for the additional first advance distribution for the fiscal year 2017)).

25. Off balance sheet items

(a) Foreign currencies

	31/12/2018		1/1/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	5,789,336.73	133,994,198,570	6,619,329.09	150,027,087,935
EUR	3,219.93	84,845,156	5,372.56	145,075,238
		134,079,043,726		150,172,163,173

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(b) Lease

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

	2018 VND	2017 VND
Within one year	27,981,487,983	30,244,538,695
Within two to five years	71,434,602,290	80,477,328,608
More than five years	435,377,745,996	448,114,634,886
	<u>534,793,836,269</u>	<u>558,836,502,189</u>

(c) Capital expenditure commitments

As at 31 December 2018, the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	2018 VND	2017 VND
Approved and contracted	<u>2,623,320,438,226</u>	<u>3,485,831,940,766</u>

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VI. SUPPLEMENT INFORMATION TO ITEMS DISCLOSED IN THE CONSOLIDATED STATEMENTS 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:

	2018 VND	2017 VND
Total revenue		
Sales of finished goods	49,745,065,429,571	49,523,686,146,653
Sales of merchandise goods	2,614,444,875,983	1,448,675,991,957
Other services	61,508,966,437	62,526,876,757
Rental income from investment property	16,985,591,588	17,187,652,809
Others	191,225,563,705	82,823,096,903
	<u>52,629,230,427,284</u>	<u>51,134,899,765,079</u>
Less revenue deductions		
Sale discounts	24,468,134,008	17,388,158,838
Sale returns	42,812,322,684	76,435,721,132
	<u>67,280,456,692</u>	<u>93,823,879,970</u>
Net revenue	<u>52,561,949,970,592</u>	<u>51,041,075,885,109</u>

In which revenue from sales to related parties was as follows:

	2018 VND	2017 VND
Associates		
APIS Corporation	300,586,875	724,272,400
Asia Saigon Food Ingredients Joint Stock Company (until 11 November 2017)	-	3,338,193,979
Total revenue from sales to associates	<u>300,586,875</u>	<u>4,062,466,379</u>

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2. Cost of sales

	2018 VND	2017 VND
Total cost of sales		
Finished goods sold	25,425,663,035,832	24,916,638,222,738
Merchandise goods sold	2,112,022,699,812	1,256,346,586,241
Promotional goods sold	256,520,352,313	594,166,234,679
Operating costs of investment property	8,429,185,015	8,579,497,255
Other services	13,149,311,550	11,151,600,462
Inventories losses	77,588,612	645,547,529
Under-capacity costs	75,786,414,033	23,271,650,655
Decrease of allowance for inventories	(5,068,264,685)	(3,868,273,083)
Other cost of sales	63,963,179,019	-
	<u>27,950,543,501,501</u>	<u>26,806,931,066,476</u>

3. Financial income

	2018 VND	2017 VND
Interest income from deposits	665,813,438,377	742,774,443,564
Interest income from corporate bonds	10,936,582,192	27,292,691,779
Foreign exchange gains	55,684,233,977	46,014,816,848
Dividends	1,826,192,791	25,820,495
Others	25,656,943,664	209,005,849
	<u>759,917,391,001</u>	<u>816,316,778,535</u>

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4. Financial expenses

	2018 VND	2017 VND
Interest expense on borrowings	51,367,418,852	29,438,568,563
Interest expense on deposits received	1,309,845,580	3,752,873,000
Losses from disposals of investments	1,982,981,082	-
Foreign exchange losses	58,022,973,593	53,391,517,007
Allowance for diminution in value of financial investments	217,913,972	279,971,229
Payment discounts for customers	5,102,194,900	-
Others	3,673,695	174,618,477
	<u>118,007,001,674</u>	<u>87,037,548,276</u>

5. Other income

	2018 VND	2017 VND
Proceeds from disposals of fixed assets	186,918,575,989	167,762,208,469
Proceeds from disposals of construction in progress	1,280,571,165	1,202,551,910
Compensations received from other parties	6,713,533,550	7,585,177,670
Rebate income from suppliers	127,151,102,534	16,782,902,629
Others	128,183,546,742	19,747,745,752
	<u>450,247,329,980</u>	<u>213,080,586,430</u>

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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6. Other expenses

	2018 VND	2017 VND
Book value of fixed assets disposed	226,608,233,034	177,736,385,034
Book value of construction in progress disposed	29,427,130,703	1,419,928,274
Others	19,029,140,872	31,397,076,631
	<u><u>275,064,504,609</u></u>	<u><u>210,553,389,939</u></u>

7. Selling expenses

	2018 VND	2017 VND
Staff costs	603,641,303,823	622,545,208,483
Materials expenses	62,452,892,303	51,352,255,139
Tools and supplies expenses	123,607,444,086	133,205,268,966
Depreciation expenses	40,456,552,631	42,122,483,249
Expenses of damaged goods	44,550,977,735	41,497,531,083
Transportation expenses	623,818,802,250	589,183,894,539
Outside service expenses	488,367,274,042	392,945,241,788
Advertising and market research expenses	1,754,565,156,017	1,990,534,713,776
Promotion, product display expenses and, support and commission expenses for distributors	8,524,476,503,546	7,673,146,974,776
	<u><u>12,265,936,906,433</u></u>	<u><u>11,536,533,571,799</u></u>

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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8. General and administration expenses

	2018 VND	2017 VND
Staff costs	430,316,233,422	627,079,060,927
Materials expenses	43,307,886,827	24,434,850,707
Office supplies	22,088,490,674	18,731,423,006
Depreciation expenses	91,455,776,516	83,657,032,630
Fees and duties	13,474,172,283	14,834,558,600
Allowance for doubtful debts and provision for severance allowance	7,448,548,203	12,800,288,542
Transportation expenses	38,430,575,736	35,446,080,045
Outside service expenses	257,840,111,482	245,962,504,815
Loading expenses	28,000,035,605	17,619,203,907
Per-diem allowances	51,120,138,866	53,553,837,915
Bank charges	11,841,257,499	11,023,101,136
Others	137,977,004,677	122,464,328,860
	<u><u>1,133,300,231,790</u></u>	<u><u>1,267,606,271,090</u></u>

9. Production and business costs by element

	2018 VND	2017 VND
Raw material costs included in production costs	22,569,828,439,864	21,119,545,561,711
Labour costs and staff costs	2,116,120,236,299	2,321,877,650,601
Depreciation and amortisation	1,617,572,091,599	1,288,433,647,949
Outside services	2,473,261,223,328	2,230,092,134,374
Other expenses	<u><u>11,200,481,378,273</u></u>	<u><u>10,884,691,278,695</u></u>

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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10. Income tax

(a) Recognised in the consolidated statement of income

	2018 VND	2017 VND
Current tax expense		
Current year	1,851,250,566,879	1,967,746,432,342
Under/(over) provision in prior years	23,654,658,604	(679,727,113)
	<u>1,874,905,225,483</u>	<u>1,967,066,705,229</u>
Deferred tax benefit		
Origination and reversal of temporary differences	(28,838,670,599)	(16,295,874,259)
Income tax expense	<u>1,846,066,554,884</u>	<u>1,950,770,830,970</u>

(b) Reconciliation of effective tax rate

	2018 VND	2017 VND
Accounting profit before tax	12,051,696,266,123	12,228,945,384,136
Tax at the Company’s tax rate	2,410,339,253,225	2,445,789,076,827
Tax rate differential applied to Company’s subsidiaries and factories	(30,301,773,776)	(26,624,013,176)
Tax exempt income	(365,238,558)	(5,164,099)
Non-deductible expenses	8,692,344,114	6,857,771,039
Tax incentives	(547,630,224,699)	(405,743,299,786)
Deferred tax assets not previously recognised	(18,322,464,026)	(68,823,812,722)
Under/(over) provision in prior years	23,654,658,604	(679,727,113)
	<u>1,846,066,554,884</u>	<u>1,950,770,830,970</u>

(c) Applicable tax rates

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

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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11. Basic earnings per share

The calculation of earnings per share for the year ended 31 December 2018 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

	2018 VND	2017 VND
Net profit for the year – attributable to ordinary shareholders before appropriation to bonus and welfare fund	10,227,281,151,464	10,295,665,148,846
Appropriation to bonus and welfare fund	(1,006,694,001,566)	(1,071,655,246,780)
Net profit for the year attributable to ordinary shareholders after appropriation to bonus and welfare fund	<u>9,220,587,149,898</u>	<u>9,224,009,902,066</u>

(b) Weighted average number of ordinary shares

	2018 Number of shares	2017 Number of shares (Adjusted retrospectively)
Issued ordinary shares at the beginning of the year	1,451,278,520	1,451,426,329
Effect of treasury shares repurchased during the year	(56,328)	(76,336)
Effect of bonus shares issues (Note V.23)	290,253,883	290,269,999
Weighted average number of ordinary shares for the year ended 31 December	<u>1,741,476,075</u>	<u>1,741,619,992</u>

As at 31 December 2018, the Group did not have potentially dilutive ordinary shares.

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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VII. OTHER INFORMATION

1. Significant transactions with related parties

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

Related party	Relationship	Nature of transaction	2018 VND	2017 VND
Miraka Holdings Limited	Associate	Purchases of goods	92,116,872,865	-
APIS Corporation	Associate	Purchase of goods	368,669,693,195	129,049,535,690
		Capital contribution	12,250,000,000	-
Asia Coconut Processing Joint Stock Company	Associate	Purchases of goods	41,201,750	-
		Purchases of shares	-	86,830,000,000
Member of Board of Management and Board of Directors		Compensation	105,156,020,454	123,523,671,767
The State Capital Investment Corporation	Shareholder	Dividends	2,612,765,980,000	2,283,546,384,000

2. Segment information

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

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

Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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Geographical segments


In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, which is located in Vietnam (“Domestic”) or countries other than Vietnam (“Overseas”). Segment assets and capital expenditure are not presented since the location of assets and production is mostly in Vietnam.

	Domestic (Customers located in Vietnam)		Overseas (Customers located in countries other than Vietnam)		Total	
	2018 VND	2017 VND	2018 VND	2017 VND	2018 VND	2017 VND
Net revenue	44,747,261,858,074	43,572,091,099,815	7,814,688,112,518	7,468,984,785,294	52,561,949,970,592	51,041,075,885,109
Cost of sales	(23,804,252,809,032)	(22,916,806,416,790)	(4,146,290,692,469)	(3,890,124,649,686)	(27,950,543,501,501)	(26,806,931,066,476)
Segment income	20,943,009,049,042	20,655,284,683,025	3,668,397,420,049	3,578,860,135,608	24,611,406,469,091	24,234,144,818,633

28 February 2019

Prepared by:

Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Approved by:

Mai Kieu Lien
Chief Executive Officer

Consolidated financial statements (IFRS)

Consolidated statement of financial position as at 31 December 2018

	31/12/2018 VND million	31/12/2017 VND million
Current assets	20,182,792	19,846,703
Cash and cash equivalents	1,522,610	963,336
Other investments	8,231,927	10,119,714
Trade and other receivables	4,837,374	4,761,326
Inventories	5,501,458	4,002,327
Share-based payment assets	89,423	-
Non-current assets	16,888,080	14,653,294
Trade and other receivables	415,816	344,609
Prepaid land costs	422,775	317,241
Other investments	571,162	74,215
Property, plant and equipment	13,230,522	11,593,162
Biological assets	923,610	857,568
Intangible assets	701,983	588,749
Investment property	90,248	95,273
Investment in equity accounted investees	497,499	481,283
Deferred tax assets	34,465	28,399
Share-based payment assets	-	272,795
TOTAL ASSETS	37,070,872	34,499,997

Consolidated statement of financial position as at 31 December 2018

	31/12/2018 VND million	31/12/2017 VND million
LIABILITIES AND EQUITY		
LIABILITIES	10,793,838	10,325,709
Current liabilities	10,188,810	9,749,285
Borrowings	1,060,048	268,102
Trade and other payables	8,251,540	8,737,687
Income tax payable	240,617	245,381
Other taxes payable	101,052	137,933
Advances from customers	535,553	360,182
Non-current liabilities	605,028	576,424
Trade and other payables	32,078	17,607
Borrowings	215,799	274,949
Severance allowance obligations	152,393	80,250
Deferred tax liabilities	204,758	203,618
EQUITY	26,277,034	24,174,288
Equity attributable to equity holders of the Company	25,786,799	23,676,498
Share capital	17,416,878	14,514,534
Share premium	1,878,130	2,130,987
Treasury shares	(10,486)	(7,160)
Fair value reserve	(1,000)	(8,270)
Translation reserve	27,649	18,367
Other reserve	1,191,672	2,851,905
Retained earnings	5,283,956	4,176,135
Non-controlling interest	490,235	497,790
TOTAL LIABILITIES AND EQUITY	37,070,872	34,499,997

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	2018 VND million	2017 VND million
I. Profit or loss		
Revenue	45,955,195	45,039,169
Cost of sales	(28,600,243)	(27,494,175)
Gross profit	17,354,952	17,544,994
Other income	166,892	44,142
Selling expenses	(6,026,678)	(5,933,637)
General and administration expenses	(1,336,154)	(1,665,644)
Other losses – net	(65,534)	(48,931)
Results from operating activities	10,093,478	9,940,924
Finance income	678,576	770,067
Finance cost	(52,677)	(34,734)
Net finance income	625,899	735,333
Share of profit of equity accounted investees	22,434	67,134
Profit before tax	10,741,811	10,743,391
Income tax	(1,846,067)	(1,951,168)
Net profit from continuing operations	8,895,744	8,792,223
Net loss from discontinued operations (net of income tax)	-	-
Net profit	8,895,744	8,792,223

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 (continued)

	2018 VND million	2017 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	(232)	(1,877)
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences	9,282	12,662
Total comprehensive income	8,904,794	8,803,008
Net profit attributable to:		
Equity holders of the Company	8,917,395	8,809,714
Non-controlling interest	(21,651)	(17,491)
Net profit	8,895,744	8,792,223
Total comprehensive income attributable to:		
Equity holders of the Company	8,926,445	8,820,549
Non-controlling interest	(21,651)	(17,541)
Total comprehensive income	8,904,794	8,803,008
Earnings per share		
Basic earnings per share (in VND)	5,121	5,058
Basic earnings per share from continuing operations (in VND)	5,121	5,058

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 VND million	2017 VND million
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,741,811	10,743,391
Adjustments for		
Depreciation and amortisation	1,636,063	1,308,495
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	(1,358)	3,716
Losses on disposals of property, plant and equipment and biological assets	70,046	10,191
Interest expense	51,367	29,439
Interest and dividend income	(678,576)	(770,093)
Share of profit of equity accounted investees	(22,434)	(67,134)
(Profit)/loss from other investing activities	-	18,362
Impacts of shares issued under Employees Stock Option Plan ("ESOP")	191,215	406,538
Operating profit before changes in working capital	11,988,134	11,682,905
Change in receivables	(50,493)	(1,565,788)
Change in inventories	(1,463,749)	671,796
Change in payables and other liabilities	(309,179)	1,085,822
	10,164,713	11,874,735
Interest paid	(110,740)	(65,131)
Income tax paid	(1,879,580)	(1,933,510)
Net cash generated from operating activities	8,174,393	9,876,094

Consolidated statement of cash flows for the year ended 31 December 2018 (continued)

	2018 VND million	2017 VND million
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment, intangible assets and biological assets	(3,257,228)	(2,947,960)
Payments for prepaid land costs	(256)	(2,503)
Purchases of investment property	-	(132)
Collections on disposals of property, plant and equipment and biological assets	130,547	122,146
Payments for investments in equity accounted investees	(12,250)	(86,830)
Receipts from collecting loans	2,230	1,872
Collections from investments in other entities	18,468	23,329
Receipts from sales of debt instruments of other entities	190,786	300,000
Collections from/(payments for) time deposits	1,199,160	(218,249)
Receipts of interest and dividends	782,637	754,254
Acquisition of a subsidiary	(133,393)	8,587
Net cash used in investing activities	(1,079,299)	(2,045,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments to acquire additional interests in a subsidiary from non-controlling interest	-	(276,418)
Payments for repurchase of treasury shares	(3,326)	(5,984)
Proceeds from borrowings	6,246,077	2,777,050
Payments to settle loan principals	(5,521,686)	(4,224,187)
Payments of dividends	(7,256,172)	(5,805,808)
Net cash used in financing activities	(6,535,107)	(7,535,347)
Net cash flows during the year	559,987	295,261
Cash and cash equivalents at the beginning of the year	963,336	655,423
Effect of exchange rate fluctuations on cash and cash equivalents	(1,230)	(708)
Currency translation differences	517	13,360
Cash and cash equivalents at the end of the year	1,522,610	963,336



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