

Mba, human resources, finance, accounting

[Business](#), [Human Resources](#)



Head Office: 184 - 186 - 188 Nguyen Dinh Chieu St, Ward 06, Dist. 03, HCMC, Vietnam Tel: (84. 8) 930 0358 Fax: (84. 8) 930 5206 www. vinamilk. com. vn
Annual Report 2007 Content Vision and Mission Statements Chairwoman's Message Corporate Profile Corporate Structure Management Reporting Structure Board of Management Board of Directors 03 04 10 16 18 22 24 Inspection Committee Corporate Governance Risk Management Business Review Investor Relations Community Activities Financial Contents 26 30 34 36 54 56 58 this is WHO WE ARE VISION

Vinamilk will be the fastest and sustainable growing healthy dairy and food company by building a long-term competitive advantaged product portfolio across the scale. MISSION Vinamilk continues to expand its existing geographical coverage and product portfolios to maintain its sustainably dominant position in the local market and maximizing its shareholder value. chairwoman's Message Vinamilk is the leading dairy & beverage company and also one of the 5 largest companies in term of market capital listed in Vietnam. The brand Vinamilk", with its extensive market share and position, has gone into consumers' mind. Vinamilk's quality products are designed to offer the community a " healthy and beautiful life". Despite the difficult year of 2007 such as two-digit inflation, inputs like milk powder and sugar rapidly increased in price, and severe competition with imported products, Vinamilk still kept its strong growth, ensuring shareholders' profits. Earning per share (EPS) of the year was VND5, 607/share, increased by 35% as compared to that of 2006 (VND4, 150/share).

The Company has been firmly revising its business strategies and marketing activities with its sales team being supported by modern tools and trained

with higher professionalism for its sustainable long-term development. The company continues building new dairy factories and expanding the existing ones in Can Tho, Da Nang and Hanoi, as well as proceeding with the dairy farm projects. In addition to the key business, Vinamilk keep seeking opportunities for external investment to maximize profits and increase Company's shareholder value.

Financial results The Company's turnover and profit have been steadily increasing during the four successive years since its equitization in 2003. The followings are the basic figures of 2007 and 2006: In VND billion - Net revenue - Profit after tax 2007 6, 649 963 2006 6, 246 660 % increase/ (decrease) 6. 5% 46% Besides the major export market of Iraq, the Company focuses on strengthening the presence of its products in other countries like Cambodia, the U. S, Philippines etc. **Dividends** Given the good results for 2007, the Board recommends for shareholders' approval a total dividend for the year of VND 2. 00 per VND 10. 000 par-value share (equivalent to 29% on share par-value). This is a 52. 6% increase over last year's normal after-tax dividend of VND1, 900 per share. This marks the fourth year on increase in the payment of the normal dividends to shareholders: 2004: 15%; 2005: 17%; 2006: 19% and 2007: 29% as proposed – and highlights the Company's sustainable growth. Vinamilk has the financial, human resource strengths and over 30 years of experience to achieve the substantial growth in line with its vision and mission. Vinamilk commits to provide healthy products to achieve a beautiful lifestyle for our community.

Vinamilk also strongly believes in increasing our shareholder value through growth. Barring unforeseen circumstances, it is the Board's intention to

maintain the after-tax dividend at not less than the normal after-tax dividend of the previous year. However, in any given year, the actual payout will need to take into account the Company's consolidated earnings outlook and plans for new investments to ensure Company's sustainable growth. Overseas listing Plan Vinamilk is under consultancy and working with relevant agencies to be listed in Singapore Stock Exchange (SGX) in 2008 with a new issue of 5% of its existing share capital.

This overseas listing shall land Vinamilk into international market, aligning with the top food & beverage groups in the region. This is considered an initial step to raise capital from international financial market for the Company's expanding strategies. With this listing event in international market, Vinamilk has been, step-by-step, applying standards, corporate governance as requested SGX and other international generally accepted principles and practices, which provide strong assurance of its good financial management and transparency. On behalf of Vinamilk, I would like to express my sincere gratitude to our customers, our business partners and government agencies for their trust and support, which give significant contribution to Vinamilk's strong and sustainable success. I wish you all success in work and in business, and hope to expand our cooperation. I would like to thank to more than 4, 000 Vinamilk employees for your effective contribution, and I hope that you will strengthen your ability to lead Vinamilk to more success in the future.

With good performance from previous years, I strongly believe that Vinamilk will continue its strong and sustainable growth in the following years. The Company has been putting newly completed and expanded projects in use

and diversifying our product portfolios to meet all reasonable customer's needs and simultaneously to increase more and more for Vinamilk shareholder value. Ho Chi Minh City, 15th March 2008

Chairwoman ENJOY LIFE Corporate Profile 10 A n n u a l R e p o r t 2 0 0 7 11

cOrPOrate PrOFILe Significant events in our business are set out below: 1976

.....

Our Company was founded Company, a under the name of Southern Coffee-Dairy subsidiary of the General Food Directorate and had six factories in operation, namely Thong Nhat Dairy Factory, Truong Tho Dairy Factory, Dielac Factory, Bien Hoa Coffee Factory, Bich Chi Powder Factory and Lubico.

1978 The management of our Company was transferred to the Ministry of Food Industry and our Company was renamed United Enterprises of Milk Coffee Cookies and Candies I. 1988

Introduced powdered milk and cereal with milk powder at the first time in Vietnam. 991 Launched UHT milk and spoon yoghurt to

Vietnam market. 1992 The United Enterprises of Milk Coffee Cookies and Candies I was formally renamed Vietnam Dairy Company and came under the direct management of the Ministry of Light Industry. We started focusing on the manufacturing and processing of dairy products.

1994 Hanoi Dairy Factory was built in expansion and market Hanoi as part of our Company's development strategy to cater to the market in the northern region of Vietnam. 12 A n n u a l R e p o r t 0 0 7

1996 Binh Dinh Dairy Joint Venture Enterprise was founded as the result of our joint venture with Dong Lanh Quy Nhon Joint Stock Company. This joint venture enabled our Company to successfully gain

access to the market in the middle region of Vietnam.
2005 Entered into a joint venture agreement with
SABMiller Asia B. V. and established SABMiller Vietnam Joint Venture
Company Ltd. in August 2005. Our first joint venture product, Zorok, was
also launched in the first half of 2007. 2000 Can

Tho Dairy Factory, which 2006 Vinamilk 50. 01% was
listed on the HOSE on 19 January 2006 with the SCIC holding approximately
of our Company's shareholdings. Opened An Khang Clinic in Ho Chi Minh City
in June 2006. This is the first clinic in Vietnam managed by a sophisticated
electronic management system. The clinic offers a diverse range of services
such as nutritional consulting, gynecology testing, pediatrics consulting
andhealthscreening. is located in Tra Noc Industrial Zone, Can Tho City was
built to better meet the demands of consumers in the Mekong Delta.

In the same year, we set up the Logistics and Warehouse Enterprise located
in 32 Dang Van Bi St. , Ho Chi Minh City. 2003 Was
formally converted into a joint stock company in December 2003 and
changed its name to Vietnam Dairy Products Joint Stock Company to reflect
its change in status. 2004 Acquired Saigon Milk Joint
Stock Company. Increased capital to VND 1, 590 billion Commenced our
dairy cow farms program with the acquisition of Tuyen Quang dairy farm, a
small scale farm with 1, 400 heads of cows in November hare
2005 Bought over partner's in our Binh joint Dinh 2006.
The Tuyen Quang dairy farm was operational at the time of acquisition.
venture remaining shareholdings Dairy Products Company Ltd (as Binh Dinh
Dairy Factory was then known) and inaugurated Nghe An Dairy Factory,

located in Cua Lo Industrial Zone, Nghe An province, on 30 June 2005.
 2007..... Acquired a 55% interest in Lam Son Milk
 Company Ltd. in September 2007, located in Le Mon Industrial Zone, Thanh
 Hoa province. 13 cOrPOrate PrOFILe aWarDS aND accOLaDeS

Our Company, our factories, our products and the “ Vinamilk” brand, as the
 case may be, have received a lot of awards, some of which are: Date/Period
 1985 1991 1996 2000 2001 2005 2005 2006 Each year from 1995 - 2007
 award Labour Medal of Third Ranking Labour Medal of Second Ranking
 Labour Medal of First Ranking Hero of Labour Labour Medal of Third Ranking
 Independence Medal of Third Ranking Labour Medal of Third Ranking “
 Supreme Cup” for Vietnamese goods of high quality and prestige Top brand
 in the “ Top Ten High-quality Vietnamese Goods” awarding authority
 President of Vietnam President of Vietnam President of Vietnam President of
 Vietnam President of Vietnam President of Vietnam President of Vietnam
 Intellectual Property Association and Association of Small & Medium
 Enterprises, Vietnam Saigon Marketing Newspaper readers’ choice In
 recognition of her long term contributions to the development of the
 Vietnamese dairy industry and the development of Vietnam, our
 Chairwoman, Madam Mai Kieu Lien, was awarded the following prestigious
 awards and titles: Date/Period 2001 2005 2005 2006 award Labour medal of
 Second ranking First Prize for Creativity Year 2004 Hero of Labour Labour
 medal of First ranking awarding authority President of Vietnam World
 Intellectual Property Organisation President of Vietnam President of Vietnam
 14 A n n u a l R e p o r t 2 0 0 7 cOrPOrate StrUctUre

VietNam Dairy ProDUctS JOINT StOcK cOMPaNy 100% 100% 55% 50%
 INterNAtIONaL reaL eState VietNam Dairy cOW LaM SON Dairy SaBMILLer JV
 16 A n n u a l R e p o r t 2 0 0 7 Details of our subsidiaries and joint venture
 as at 31 December 2007 are as follows: Name Date / country of
 incorporation Principal Business Share capital % owned International Real
 Estate 12 December 2006 / Vietnam Housing business, real estate brokerage
 and leasing, warehouse and dock leasing VND160 billion 100% Vietnam
 Dairy Cow 14 December 2006 / Vietnam Breeding of dairy cow, mixed
 cultivation and breeding, sale and purchase of alive animals VND100 billion
 100% Lam Son Dairy 6 February 2007 / Vietnam Production and trade of
 canned milk, powdered milk and other dairy products, baby food, cake, soy
 milk, beverages, dairy cow breeding, trade of technology and equipment, raw
 materials VND80 billion 55% SABMiller JV 30 June 2006 / Vietnam Production
 and trade of beer and US\$13.5 million other fruit flavoured beverages with
 (approximately low alcoholic ratio VND217 billion) 50% 17 MaNaGeMeNt
 rePOrtINg StrUctUre SharehOLDerS MeetINg BOarD OF MaNaGeMeNt
 geNeraL DirectOr DePUtY geNeraL DirectOr OF raW MaterlaLS DeVeLOPMent
 DePUtY geNeraL DirectOr OF PRODUctION PLANNING & IM-eXPORT DePUtY
 geNeraL DirectOr/FINaNceDirectOr

DirectOr OF DirectOr OF raW VietNam MaterlaLS Dairy cOW ONeDeVeLOP -
 MeNt MeMBeR LtD. , CO PRODUc tION PLANNING DirectOr IMeXPORT DirectOr
 DirectOr OF r&D ceNter chIEF accOUNT - aNt PLANNING DirectOr INVeSt MeNt
 DirectOr It DirectOr cONStrUctION DirectOr M&e DirectOr 18 A n n u a l R e p
 o r t 2 0 0 7 INSPEctION cOMMittee INterNaL aUDIt DirectOr DePUtY geNeraL
 DirectOr/ PROject DirectOr DePUtY geNeraL DirectOr OF SALES, MARKETING

& cUStOMer DeVeLOPMent tech. DirectOr DirectOr OF INt. reaL eState
 ONeMeMber LtD. , cO MKt DirectOr cUStOM - er DeVeLOP - MeNt DirectOr
 BraNch DirectOr SaLeS DirectOr hr DirectOr aDMIN DirectOr DirectOr OF aN
 KhaNg cLINic

DirectOr OF DePOt DirectOr OF FactOrY 19 20 A n n u a l R e p o r t 2 0 0 7
 TASTY 21 BOarD OF MaNageMeNt from top to bottom Ms Mai Kieu Lien Ms
 Ngo Thi Thu Trang Mr Dominic Scriven Mr Hoang Nguyen Hoc Mr Wang Eng
 Chin 22 A n n u a l R e p o r t 2 0 0 7 MS Mai Kieu Lien Chairwoman, General
 Director Has been the Chairwoman of our Board of Management since 14
 November 2003. From August 1976 to August 1980, she was an engineer in
 charge of the condensed milk production at Truong Tho Dairy Factory.
 Between September 1980 and February 1982, she was a technology
 engineer in the Technical department of the United Enterprises of Milk Coffee
 Cookies and Candies I.

She served as a vice technical director in charge of production at Thong Nhat
 Dairy Factory from February 1982 to June 1983. After finishing her training at
 Economic University of Leningrad in the former Soviet Union (currently
 Russia), in July 1984 Ms Lien was appointed deputy general director of the
 United Enterprises of Milk Coffee Cookies and Candies I. In December 1992,
 she was promoted to general director of Vietnam Dairy Products Company.
 On 14 November 2003, she was elected chairwoman of the Board of
 Management and thereafter appointed as General Director of our Company.
 Ms Lien graduated from Moscow University of Meat and Milk Processing,
 Russia with a bachelor of science degree in 1976.

She holds a Certificate of Economic Management from University of Economy, Russia, and a Certificate of Government Management from National Political Institute, Vietnam. MS NgO thI thU traNg Member, Deputy General Director, CFO Mr DOMINic ScrIVeN Member Has been a member of our Board of Management since 14 November 2003, and Deputy General Director and Finance Director of our Company since March 2005. Ms Trang joined our Company in 1985 as a financial analyst, and in January 1995 she became a Vice Manager in the Accounting-Statistics department of the Vietnam Dairy Products Company. She held this position until December 1997 and served for a brief time between January 1998 and February 1998 as the Head of the AccountingStatistic department.

Between February 1998 and March 2005, Ms Trang held the position of the Chief Accountant in charge of the Accounting department of the Vietnam Dairy Products Company. In March 2005, she was appointed deputy general director and finance director. Ms Trang graduated from the Finance-Accounting University, Ho Chi Minh City, with a Bachelor of Arts degree majoring in accounting and finance in 1984. She also holds a Master of Business Administration degree from the Open University, Ho Chi Minh City. Has been a member of our Board of Management since 31 March 2005. From 1985 to 1986, Mr Scriven was an assistant to the board of directors at M&G Investment Management where he assisted the board in matters relating to investments in the European and Asia regions.

Between 1986 and 1988, he was a consultant at the investment banking arm of Citigroup where he assisted in the setting up and consulting for three investment funds, namely Thailand Fund, Seoul International Trust and Korea

International Trust. Mr Scriven held the position of director in charge of investment at Sun Hung Kai Investment Fund between 1989 and 1991. He later joined Peregrine Corporation where he oversaw the capital market development. He co-founded Dragon Capital Group Limited in 1994 and currently holds the position of [managing director]. Mr Scriven graduated from the University of Exeter in 1985 with a Combined Honour degree in Laws and Sociology.

He was awarded the Order Of The British Empire (OBe) in the Queen Elizabeth II's 2006 New Year's Honours List. Mr hOaNg NgUYeN hOc Member Mr WaNg eNg chIN Member Has been a member of our Board of Management since 4 November 2006. Prior to being appointed to our Board of Management, Mr Hoc had extensive experience within the Ministry of Finance of Vietnam. From October 1999 to June 2003, Mr Hoc was a deputy director in the department for state-owned enterprises' financial management. He was appointed as Deputy General Director of the State Capital Investment Corporation in January 2008. Mr Hoc holds a Master of Business Administration degree from Ha Noi National University. Has been a member of our Board of Management since 31 March 2007.

Between 1987 and 1988, Mr Wang worked as a corporate development executive with Cold Storage (S) Pte Ltd. He was a manager, Plain Heaven Cold Storage (S) Pte Ltd from 1988 to 1991. Mr Wang joined F&N Foods Pte Ltd as a general sales manager in 1991 and held this position until 1997. Between 1997 and 2003, he served as a deputy general manager at F&N Foods Pte Ltd and F&N Dairies (M) Sdn Bhd. In 2003, he became a general manager responsible for general management of F&N Foods Pte Ltd and F&N

Vietnam Foods and held this position until September 2006. On 1 October 2006, he was appointed acting chief executive officer in charge of general management of the Food & Beverage Division, Fraser & Neave Group.

He graduated from University of Mississippi, USA, in 1984 with a Bachelor of Business Administration and in 1987 with a Master of Business Administration. 23 BOArD OF DirectOrS from left to right Ms Nguyen Thi Thanh Hoa Ms Mai Kieu Lien Mr Tran Minh Van Ms Nguyen Thi Nhu Hang Mr Tran Bao Minh Ms Ngo Thi Thu Trang MS Mal KleU LleN General Director MS NgUYeN thI thaNh hOa Deputy General Director Mr traN BaO MINH Deputy General Director (See “ Board of Management” for information about Ms Mai Kieu Lien) MS NgO thI thU traNg Deputy General Director, CFO (See “ Board of Management” for information about Ms Ngo Thi Thu Trang) Has been a Deputy General Director of our Company since 2000.

Between September 1978 and June 1983, Ms Hoa was a lecturer at the Foodstuff and Process & Equipment departments at the Ho Chi Minh Polytechnic University. She later joined our Company in July 1983 as a process engineer at Truong Tho Dairy Factory. Ms Hoa held the positions of deputy director and then director in charge of overall operation of Truong Tho Dairy Factory from July 1991 to 1999. From January 2005, Ms Hoa is a deputy general director of Vietnam Dairy Products Company. She is currently in charge of planning, import, export and research and development of our Company. Ms Hoa graduated from Milk Processing Technology University, Moscow, in 1978 with a Bachelor degree in Milk Processing Technology.

Mr Minh joined PepsiCo Vietnam in September 1997 as a marketing manager and was promoted to marketing director in August 2001 where he was in

charge of the formulation, management and execution of marketing strategies for PepsiCo's six leading brands in Vietnam, namely Pepsi, 7-Up, Mirinda, Aquafina, Twister and Sting. He was later transferred to PepsiCo's headquarters in New York in February 2004 where he held the position of global Pepsi innovation director and led Pepsi's global product and packaging innovation agenda. Between April 2005 and August 2005, Mr Minh was seconded to PepsiCo Thailand as marketing director in charge of formulating Pepsi's marketing strategy in Thailand for non-carbonated beverages.

From August 2005 to September 2006, 24 A n n u a l R e p o r t 2 0 0 7 Mr traN MINH VaN Deputy General Director MS NgUYeN thI NhU haNg Deputy General Director he served as marketing director of PepsiCo's Asia Pacific business unit where he managed PepsiCo's Mountain Dew, 7-Up and Mirinda brands of beverages for the Asia Pacific region. Mr Minh joined Vinamilk in October 2006 as Deputy General Director in charge of Sales, Marketing and Customer Development. Mr Minh graduated from the Ho Chi Minh City University of Economics in 1991 with a Bachelor of Arts majoring in business planning and obtained a Masters in Commerce degree from the University of Western Sydney in 1996.

As a testament to his contribution to PepsiCo, he was awarded the Asia Pacific Region Marketer of the Year award in 2002 and Top Performance Marketer in the Asia Pacific Region award in 2003 by PepsiCo. Has been a Deputy General Director of our Company since July 2006. Between 1990 and July 1994, Mr Van was a [deputy director] assisting the director of Thong Nhat Dairy Factory. In August 1994, he was appointed director of the Thong Nhat Dairy Factory and continued to hold this position until June 2006. He

was appointed Deputy General Director in charge of the Project department of our Company in July 2006. Mr Van graduated from Ho Chi Minh City Polytechnic University in 1981 with an engineering degree. He obtained Bachelor in Business Administration from Ho Chi Minh City University of Economics in 1994, a LLB degree (with major in commercial laws) from Ha Noi University of Laws in 2001, and a Master in Business Administration from Ho Chi Minh City University of Economics in 2003. Ms Hang first joined our Company in 1981 where she held the position of deputy manager in the consumption department until 2001. She was later promoted to the position of director in August 2001 where she was in charge of managing the Warehouse Enterprise until December 2002. Ms Hang was promoted to deputy general director in January 2003 where she was and still is in charge of the technical project department. She is also in charge of managing and developing dairy farms that supply raw milk to the Company. In July 2007, Ms Hang was appointed director of Vietnam Dairy Cow Limited Company with One Member, a subsidiary of our Company.

Ms Hang graduated from the Ho Chi Minh City University of Economics in 1994 with a bachelor degree in business administration. 25 INSPECTION COMMITTEE MS Le thi KIM anh Member Mr NGUYEN Viet CUONG Head of Inspection Committee MS NGUYEN thi TUYET Mai Member Between August 2001 and December 2004, she worked as a senior auditor at PricewaterhouseCoopers Vietnam Limited. She joined VietFund Management in December 2004 as a portfolio manager for Vietnam Growth Investment Fund (VF2). Ms Kim Anh graduated from the University of Economics, Ho Chi Minh City, with a bachelor degree majoring in accounting and auditing. Mr

Cuong began his career at KPMG Vietnam in 1998 until 2002 as a senior auditor.

Between 2003 and 2004, he was a management accountant at Unilever Bestfoods Vietnam where he was responsible for internal management reporting for food business of Unilever Vietnam. In 2004, he joined VinaCapital Group and now being a deputy managing director in charge of managing the portfolio for Vietnam Opportunity Fund. Mr Cuong was elected head of our Company's Inspection Committee in December 2003. He graduated from the University of Economics, Ho Chi Minh City, with a bachelor degree in economics majoring in banking in 1994. Mr Cuong is holding an ACCA certificate issued by the Association of Chartered Certified Accountant, United Kingdom.

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

Ms Mai graduated from the Ha Noi University for Foreign Language Studies in 1991 with a bachelor degree majoring in English and obtained a master degree in business administration from the University of Melbourne in 1999.

26 Annual Report 2007 27 28 Annual Report 2007 HEALTHY
 29 cOPOrate gOVerNaNce Our Directors recognize the importance of corporate governance and the offering of high standards of accountability to our Shareholders. a. Board of Management Matters the Board's conduct and its affairs The Company should be leaded by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. To facilitate effective management, certain functions have been delegated by the Board to various Board Committees.

The Board Committees operate under clearly defined terms and reference. The Board conducts meeting on a quarterly basis during the year. Ad-hoc meetings are convened when circumstances required. The meetings can be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means. Every member of the Board should be able to obtain independent advice and use independent judgement when making decisions. Inspection Committee is also informed and invited to attend the Board's meetings. A record of the Director's attendances at the Board level meetings during the financial year ended 31 December 2007 is disclosed as follows: Seq. 2 3 4 5 Name of Director Ms Mai Kieu Lien Ms Ngo Thi Thu Trang Mr Hoang Nguyen Hoc Mr Dominic Scriven Mr Wang Eng Chin No. of meetings 5 5 5 5 5 attendance 5 5 5 5 5 Board composition and Balance There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making. The Board has maintained a strong and

independent element, with three out of five directors being independent. The Board comprises of the following members: executive Directors Ms Mai Kieu Lien Ms Ngo Thi Thu Trang Chairwoman

Non – executive Directors Mr Hoang Nguyen Hoc Mr Dominic Scriven Mr Wang Eng Chin The profiles of the directors are set out on page 22 of this annual report. Vinamilk has a good balance of directors who have extensive business, financial, accounting and management experience. The objective judgement of the independent and non-executive directors on corporate affairs and their experience and contributions are valuable to Vinamilk. 30 A n n u a l R e p o r t 2 0 0 7 Board Membership There should be a formal and transparent process for the appointment of new directors to the Board. Any nomination of new directors should go through a formal selection process: the Board should appoint the new director and then he should be officially nominated by the Annual General Meeting (“ AGM”).

Board Performance There should be a formal assessment of the effective of the Board as a whole and the contribution of each Director to the effectiveness of the Board. access of Information Board members are provided with adequate and timely information prior to Board meetings and on an on-going basis to enable them to carry their duties. The Board of Directors provides with adequate and timely information as well as a review of Vinamilk’s performance prior to the Board meetings. The Board has separate and independent access to Vinamilk ’s senior management and secretary, should they have any queries on the affairs of Vinamilk . A notice of meeting, which contains agenda, is issued to the Board prior each Board meeting.

Vinamilk's secretaries attend all the Board meetings and are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company's secretaries are: Mr Nguyen Thanh Tu Ms Le Quang Thanh Truc (Administration Director) (Financial Investment Manager) B. remuneration Matters remuneration Policy The Remuneration Committee reviews and recommends to the Board an appropriate and competitive framework of remuneration for the Board. A formal and transparent procedure is used when setting the remuneration packages of individual directors. No director is involved in deciding his own remuneration.

The composition of the Remuneration Committee is as follows: Mr Dominic Scriven Mr Wang Eng Chin Ms Vu Bich Nghia (Chairman, Non-Executive Director) (Member, Non-Executive Director) (Member, Human Resources Director) The Remuneration Committee recommends to the Board for endorsement a framework of remuneration for key executives, specific remuneration packages for each member of the Board of Management, Chairwoman and General Director. 31 cOPORate gOVerNaNce Level and Mix of remuneration The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run Vinamilk successfully but Vinamilk should avoid paying more than is necessary for this purpose.

A proportion of remuneration should be based on corporate and individual performance. In setting remuneration packages, the Remuneration Committee takes into consideration pay and employment conditions within industry and in comparable companies, the relative performance of Vinamilk as a whole, as well as individual Directors and key executives. An annual

performance incentive plan has been implemented for all employees. Directors' fees, Inspection Committee's fees were approved by shareholders at Vinamilk's Annual General Meeting for the financial ended 31 December 2007 as follows: Fee/month (VND million) Board Chairwoman Board Members Inspection Committee Chairman Inspection Committee Members 13 7 8 6

Performance bonus framework for the Board of Management and Board of Directors was approved by shareholders at Vinamilk's Annual General Meeting for the financial ended 31 December 2007 as follows: - If achieving the targeted profit after tax : 0. 1% on profit after tax. - Exceeding the targeted profit after tax : additional 20% of the exceeding targeted profit after tax. Disclosure of remuneration The remuneration of directors is set out below: FY 2007 Board of Management Ms Mai Kieu Lien Ms Ngo Thi Thu Trang Mr Hoang Nguyen Hoc Mr Dominic Scriven Mr Wang Eng Chin Board of Directors Mai Kieu Lien Ngo Thi Thu Trang Nguyen Thi Thanh Hoa Nguyen Thi Nhu Hang Tran Minh Van Tran Bao Minh Notes: A : Below VND3 billion B : From and above VND3 billion.

B A A A A B A A A A A A A A A A A A A A A A FY2006 32 A n n u a l R e p o r t 2 0 0 7 The amounts paid to the members of the Board of Management and the Board of Directors include the bonus determined in the manner described under " Labour Contracts – Performance Bonus for members of the Board of Management and the Board of Directors" c. accountability and audit Financial reporting The Board is accountable to the shareholders while the Management is accountable to the Board. The Board should present a balanced and understandable assessment of Vinamilk's position and

prospects in the annual accounts and other reports such as interim reports to regulators.

The Board meeting is held on a quarterly basis to review Vinamilk's performance and quarterly summarised financial report is submitted to Ho Chi Minh City Stock Exchange ("HOSE"). Annual General Meetings are held every year to obtain shareholders' approval of routine business. Internal controls The Board should ensure that the Management maintains a sound system of internal controls to safeguard Vinamilk's assets and shareholders' investments. With the assistance of the Internal Auditors, the Board and the Inspection Committee reviews the effectiveness of the key internal controls and ensures that the necessary corrective actions are taken on a timely basis.

There are formal procedures in place for both internal and external auditors to report independently conclusions and recommendations to Management and Inspection Committee. Internal audit Vinamilk should establish an internal audit function that is independent of the activities it audits. Vinamilk appointed Internal Audit Director and established its internal audit function in September 2005. The key scope of internal audit is: Review the effectiveness of Vinamilk's internal controls; Provide assurance that key business and operational risks are identified and managed; Internal controls are in place and functioning as intended and Operations are conducted in an effective and efficient manner.

The Internal Audit Director reports directly to General Director. communication with Shareholders Vinamilk regularly communicates with its shareholders, striving for timeliness and transparency in its disclosure to

<https://assignbuster.com/mba-human-resources-finance-accounting/>

shareholders and the public. Regular meetings and dialogues are held with investors, analysts, fund managers, and press. When material information is disseminated to HOSE, such information is simultaneously posted on the Company's website at www.vinamilk.com.vn Vinamilk encourages shareholder participation at its annual general meetings and gives shareholders the opportunity to communicate their views on matters affecting Vinamilk.

33 ISK MaNageMeNt Foreign currency risk Foreign currency risk arises when there is a mismatch of funding foreign currency dominated assets with liabilities of the same currency. The exposure to foreign currency risk in this aspect was not significant in 2007, but may have a significant impact on Vinamilk's performance in the coming years. Vinamilk always consider using appropriate financial instruments, as and when necessary, to mitigate this risk.

Liquidity risk Vinamilk's exposure to liquidity risk arises in general funding of Vinamilk's business activities. It includes the risks of being able to fund business activities in a timely manner.

Vinamilk adopts a prudent approach to managing its liquidity risk by maintaining sufficient cash and marketable securities, and has available funding through a diverse source of committed and uncommitted credit facilities from various banks. As at 31 December 2007, Vinamilk's net borrowings are as follows:

	2007	Cash and cash equivalent	Borrowings	Net borrowings
	114	42	2006	157
			60	

- credit risk Vinamilk's maximum exposure to credit risk in the event that the customers fail to perform their obligations as at 31 December 2007 in relation to accounts receivable is its carrying amount as indicated in the balance sheet. Vinamilk has policies in place to

ensure that sales of products are made to customers with an appropriate credit history. reliance on Key Management Personnel Although we are not dependent on any one person in our Board of Management or our Board of Directors, our success depends to a significant extent on the skills, capabilities and efforts of our Board of Management and our Board of Directors, as well as our ability to recruit and retain appropriately skilled personnel to take up positions on these Boards. Our ability to continue to attract, retain and motivate key personnel and senior members of our Board of Management and Board of Directors will have an impact upon our operations. The competition for skilled and highly-capable personnel is intense, and the loss of the services of one or more of these individuals, without adequate replacements or the inability to attract new qualified personnel at a reasonable cost, would have a material adverse effect upon our financial performance and operations.

To mitigate this risk, Vinamilk has been employing remuneration policy to maintain and attract the talents. export Market risk We currently export our products to Iraq, Thailand and other countries in Asia and Europe. Demand for our products depends on the political and economic stability of these countries. As Iraq is one of our major export countries, any social, political or economic upheaval in the country may materially adversely affect our operation results. Vinamilk has been focusing on its local market which is considered as its main market. Simultaneously, Vinamilk is also looking for other potential export markets to mitigate the risk. 34 A n n u a l R e p o r t 2

0 0 7 35 BUSINeSS OVerVleW

Since we commenced operations in 1976, we have built strong brand name recognition for our dairy products in Vietnam. Our “ Vinamilk” brand is currently a widely recognised dairy brand in Vietnam. 36 A n n u a l R e p o r t 2 0 0 7 Vietnam Dairy Industry Overview Fuelled by the impressive economic growth in the past decade, the dairy industry in Vietnam has experienced rapid growth in recent years. Coinciding with improvements in living standards in Vietnam, the more widespread availability and affordability of production technologies, and vast improvements in infrastructure have led to an overall increase in the variety, quality and volume of dairy products produced in Vietnam.

The market has also experienced an influx of foreign multinational companies. Total dairy product sales in Vietnam have grown by 53. 6% from approximately US\$418 million in 2003 to reach approximately US\$642 million in 2007. The following chart sets forth total dairy product sales in Vietnam between 2003 and 2007. 2003 – 2007 total dairy product sales in Vietnam (US\$ million) 642 530 418 472 589 2003 2004 2005 2006 2007
Source: Euromonitor International This strong growth in demand for dairy products is expected to continue on the back of strong GDP growth, a growing urban population with heightened disposable income and an increased awareness about the health benefits of dairy products.

Euromonitor International estimates that total annual consumption of dairy products in Vietnam to grow from approximately US\$1, 332 million in 2007 to reach approximately US\$1, 902 million by 2011. These factors should contribute to a significant increase in Vietnam’s very low per capita consumption of dairy products compared to Western countries. The below

chart compares Vietnam's per capita consumption of dairy products to Asia, Europe and North America between 2003 and 2007. 436 461 382 331 407 192 201 214 225 229 11 25 2003 12 27 2004 13 29 2005 14 32 2006 Europe 16 35 2007 Vietnam Asia North America Source: Euromonitor International 37 VINaMILK We are the leading producer of dairy products in Vietnam based on sales volume and revenue.

Our products range from core dairy products such as liquid and powdered milk, to value-added dairy products such as condensed milk, drinking and spoon yoghurt, ice cream, and cheese. We offer one of the largest dairy portfolios in Vietnam, across a wide selection of products, flavours, and packaging sizes. According to Euromonitor, Vinamilk has been the number [1] dairy player in Vietnam for the three years ending 31 December 2007. 38 A n n u a l R e p o r t 2 0 0 7 Since commencing operation in 1976 we have built the largest distribution network in Vietnam and have leveraged our network to introduce new products to the market, such as juices, soya milk, bottled drinking water and coffee.

We market the majority of our products under our " Vinamilk" brand, which has been designated as both a Famous Brand and one of the Top 100 Strongest Brands by the Vietnamese Ministry of Industry and Trade in 2006. We have also been voted the top brand in the " Top Ten High-quality Vietnamese Goods" for each year between 1995 to 2007. We currently focus on business activities in the fast growing Vietnamese dairy market, which according to Euromonitor has grown at a CAGR of [7. 85]% from 1997 to 2007, and produce the majority of our products at our [nine] operational production facilities with a combined capacity of [570, 406] tonnes per

annum. We have the leading distribution network in Vietnam, giving us broad access to consumers.

We generate a substantial majority of our revenues from sales of our products in Vietnam comprising both dairy and non-dairy products and export to countries such as Australia, Cambodia, Iraq, the Philippines and the United States. • • Strong supplier relationships to ensure a dependable milk supply; Highly experienced management with a proven track record of delivering strong overall business performance; World class production facilities. • Leading market position supported by well-established brand name Since we commenced operations in 1976, we have built strong brand name recognition for our dairy products in Vietnam. Our “ Vinamilk” brand has been in use since our establishment and is currently a widely recognised dairy brand in Vietnam.

We believe we have achieved our dominant market position through our focus on advertising, marketing and continuous improvement in product innovation and quality assurance. Based on our long-standing presence in Vietnam, we believe we are better able to identify and understand consumer trends and preferences, that allows us to focus our development efforts on identifying product attributes that are most valued by our customers. For example, our deep understanding and efforts have helped our Vinamilk Milk Kid range of products become one of the best selling milk product marketed at children aged between six and 12 years in Vietnam in 2007. Strong and diversified product portfolio We offer a wide range of dairy products targeting a wide spectrum of consumers.

We have product lines that are targeted at individual consumers including young children, young adults and also the [elderly] as well as products targeted at general households and commercial outfits such as cafes. In addition, by offering consumers a diverse range of products in different package sizes, we are able to offer our customers a measure of portability and convenience unique to dairy products being sold in Vietnam. OUR cOMPetItIve StreNgthS We believe that our success to date and potential for future growth can be attributed to a combination of our strengths, including the following: • • • • Leading market position supported by well-established brand name; Strong, diversified product portfolio; Extensive sales and distribution network; Strong market-oriented development capabilities research and 39 xtensive sales and distribution network We believe our extensive sales and distribution network is critical to the success of our operations, enabling us to reach a wide range of customers and ensure an efficient and effective rollout of new products and marketing campaigns nationwide. As of 31 December 2007, we sell our products across all 64 provinces including five centrally-controlled municipalities in Vietnam. Our experienced sales team, assists our distributors to service the end retailers and consumers, and promote our products. Our sales team is also responsible for servicing and supporting the distribution activities and development of new relationships with distributors and retailers. In addition, we organise various marketing and promotional activities with local distributors aimed at promoting our products and building our brand image across the nation.

In addition to our domestic distribution networks, we are currently in the process of negotiating the terms of supply contracts with potential business partners in countries such as Thailand, Australia and the United States. We are also one of the few food and beverage companies that have a readily available network of refrigerated coolers. The availability of coolers poses a high barrier of entry for competitors who may wish to enter the food and beverage market as the establishment of a refrigerated cooler network requires a substantial amount of capital expenditure. Strong supplier relationships to ensure steady milk supply A consistent supply of high quality raw milk is crucial to our business.

Accordingly, we have established strong relationships with our suppliers through our favourable pricing policies, provision of financial support to farmers to purchase dairy cows and price incentives for milk of higher quality. We have entered into annual contracts with our milk suppliers and currently purchase over approximately 40% of all domestically produced raw milk. Our production facilities are strategically located close to dairy farmers in Vietnam to enable us to maintain and strengthen our relationships with them and we carefully select the location of our milk collection centres to maintain its freshness and quality. We also source raw milk powder from Australia and New Zealand to meet our production demands in terms of quantity and quality.

We believe that our ability to obtain a steady supply of raw milk is crucial to our business and allows us to maintain and increase our production output. Strong market-oriented research and development capabilities We have a sales and marketing team that is experienced in analysing and identifying

consumer preferences and trends, and support ground staff who have a thorough understanding of consumer preferences through constant contact with our customers at our various points of sale. For example, our understanding of the preferences of young consumers aged between six and 12 has helped us successfully launch our Vinamilk Milk Kid marketing campaign in May 2007.

As a result of our successful marketing campaign, Vinamilk Milk Kid was the best selling milk marketed at children aged between six and 12 in 2007. We also have strong capabilities in product research and development with a view to improve product quality and increase product variety for consumers. We have a research and development team comprising 10 engineers and one technical staff. Our researchers work closely with our marketing department who in turn collaborate with several market research agencies to identify the trends in consumer preferences. We believe our ability to develop new products based on consumer's evolving preferences has been a key factor in our success and will continue to play a key role in our future growth and development.

In an effort to ensure that our products are in line with the latest consumption trends, we actively conduct research and work with market research companies to study trends in 40 A n n u a l R e p o r t 2 0 0 7 sales performance, customer feedback, food and beverage-related media. highly experienced management with a proven track record of delivering strong overall business performance We are managed by an experienced and dedicated management team with extensive industry experience. Our Chairwoman, Mdm Mai Kieu Lien, has over 30 years of experience in the

dairy industry with the Company and has played a critical role in the growth and development of the Company to where it stands today.

Our marketing team is led by Mr Tran Bao Minh, who has over 10 years of branding and marketing experience in the beverage industry and has been instrumental in reviving our brand image and product innovation. Other members of our senior management team have an average of 25 years experience in the manufacturing, distribution and sale of dairy products. We also have a strong middle management team that is well-equipped to support our senior management and stay abreast of changes in the market place. World class production facilities We use modern production and packaging technologies in all of our manufacturing facilities. We employ technologies imported from European countries such as Germany, Italy and Switzerland in ur production lines. To the best of our knowledge, we are the only company in Vietnam who has the machinery utilising the spray dry technology produced by Niro Inc, Denmark, a world leader in industrial drying technologies. We also employ world class production lines provided by Tetra Pak for our dairy and value-added dairy products. OUR BUSINeSS StrategleS We aim to maximise shareholder value and pursue a business growth strategy based on the following principal components: • • Expansion of market share in existing and new markets; Develop a comprehensive portfolio of dairy products to target a broader consumer base and expand into higher margin alue-added dairy products; Development of new product lines to satisfy different consumer preferences; Brand cultivation; Continuously enhancing supply chain management; Development of raw material sources to ensure a reliable and consistent fresh milk supply base. •

• • • 41 BraND POrtFOLIO We currently have 4 mega brands as follows: Beautiful Life Mum's Love 42 A n n u a l R e p o r t 2 0 0 7 Passion to Win Natural Freshness 43 PrODUct 44 A n n u a l R e p o r t 2 0 0 7 Overview We produce a broad range of dairy products with different types and flavours of powdered milk, infant cereals, UHT liquid milk, UHT drinking yoghurts, spoon yoghurt, sweet condensed milk and cheese.

We have established different teams to be responsible for the research and development, raw materials procurement, supervision of outsourced manufacturing, marketing, sales and distribution of products under our core brands and other brands. Our core dairy products such as liquid milk and powdered milk represent two of our largest product segments, and accounted for approximately 25. 4% and 23. 0%, respectively, of our revenue in 2007. Within the liquid milk segment, Vinamilk Milk Kid range constituted the largest single item and accounted for approximately 7. 0% of the liquid milk revenue of Vinamilk and approximately 2. 1% of our overall revenue in 2007.

Other dairy products such as our condensed milk and yoghurt products have been experiencing steady growth over the past two years and accounted for approximately 34. 0% and 10. 0% of our revenue in 2007. Our condensed milk product is showing promising growth where our revenue for our condensed milk products in FY2007 has experienced an approximate 38. 0% increase from FY2006. Dairy Products Liquid Milk We produce, distribute and sell liquid milk in Vietnam under the Vinamilk Brand. Our revenue from sales of liquid milk grew from approximately VND1, 469 billion in 2006 to

approximately VND1, 736 billion in 2007, representing a compound annual growth rate of approximately 18%.

As of 31 December 2007, we account for approximately 35% of the liquid milk market in Vietnam based on a combination of data from internal tracking systems and statistics and externally commissioned reports by AC Nielsen, tracking consumption patterns in 36 of the 64 provinces (including five centrally controlled municipalities). Our liquid milk segment includes the following three product categories: • • • Plain milk Flavoured milk “ Special needs” milk such as Calcium and DHA fortified milk and skim milk 45 Our “ Vinamilk” brand is one of our core brands for liquid milk, drinking yoghurt, spoon yoghurt, ice cream, probiotic and cheese. We have focused on building up our product image to be one that is easily associated with a healthy, beautiful and balanced lifestyle. Vinamilk UHT milk has consistently dominated the Vietnamese liquid milk market. It is targeted at consumers aged six years and above.

Our Fino Pack range of UHT milk offers flavours such as sweetened, sugarfree, strawberry and chocolate and comes in packages of 250ml. Our Vinamilk UHT fresh milk range was officially launched in April 2007 and is targeted at the premium market in Vietnam. Our Vinamilk UHT fresh milk products are manufactured using 100% raw fresh milk. We believe our competitive edge in this market segment lies in our ability to ensure consistent supply from local dairy farmers and our wide network of milk collection centres. Our Vinamilk UHT fresh milk products are available in 180ml and one litre cartons. Officially launched in September 2007, Vinamilk Milk Kid range is targeted at consumers aged between six and 12 years old.

Our Vinamilk Milk Kid products are available in a range of flavours such as Strawberry, Chocolate, Sweetened and DHAfortified and are available in 180ml packs. 46 A n n u a l R e p o r t 2 0 0 7 Powdered Milk We first introduced our range of powdered milk products in 1988. As at 31 December 2007, our revenue from powdered milk products account for approximately 13. 8% of the market value in Vietnam based on a combination of data from internal tracking systems and statistics and externally commissioned reports by AC Nielsen tracking consumption patterns in six key cities such as Ha Noi, Ho Chi Minh City, Can Tho, Da Nang, Hai Phong and Nha Trang.

However, our revenue from sales of powdered milk decreased from approximately VND2, 191 billion in 2006 to approximately VND1, 584 billion in 2007, primarily due to the decrease in export sales. Our Dielac powdered milk range is targeted at consumers with children aged six years and below. Our powdered milk products can be categorised into two main segments: Two formulas priced within two different price ranges. Dielac Star is priced at the lower range of the two and is marketed as an affordable and quality product. It is manufactured with Pro5S formulation containing DHA, Choline, Inuline, Canxi and MCT Oil. Dielac Alpha is produced with a unique formulation containing colostrums, DHA, Omega 3 and Omega 6 fatty acids.

It is priced at a premium over Dielac Star given its higher Colostrum content. Our Dielac line of powdered milk products has experienced an annual growth rate of approximately 16% over the past four years. Our traditional Ridelac infant and follow-on formula is manufactured using MAX-4D (with 4D representing Development, Digestion, Deliciousness and Dependability) technology, combining nutrient-rich milk, natural foods such as meat,

shrimp, vegetables, vitamins and minerals. Our formula is designed to optimise nutrient absorption in children during their growing years and enhance appetites. Ridielac infant cereal is targeted at consumers with children aged between four and 24 months.

Ridielac is produced with a unique formulation containing colostrums and is marketed as a value-for-money product. 47 Condensed Milk Condensed milk is one of our most successful products and largest revenue contributors, representing approximately 34. 0% of our total revenue in 2007. Our revenue from sales of our condensed milk products grew from approximately VND1, 690 billion in 2006 to approximately VND2, 332 billion in 2007, representing a compound annual growth rate of approximately 38%. As at 31 December 2007, we hold a market share of approximately 79% in the condensed milk market in Vietnam based on a combination of data and statistics from internal tracking systems tracking the sales volume of our competitors' products.

Southern Star (Ngoi Sao Phuong Nam) is part of our commercial line under our condensed milk segment, and is primarily marketed to commercial outfits and cafes and is commonly consumed with coffee or mixed fruits. It is priced economically to offer enhanced profit margins to proprietors. Ong Tho is part of our household line of quality products and is primarily targeted at Vietnamese households. It can be consumed either hot or cold and is commonly used as a cooking or baking ingredient. Our Ong Tho brand of condensed milk is priced at a premium over our Southern Star brand of condensed milk due to its higher calcium and protein content. 48 A n n u a l

R e p o r t 2 0 0 7 Yoghurt Products We produce, distribute and sell our drinking yoghurt and spoon yoghurt in Vietnam under the Vinamilk brand.

Our yoghurt products represent one of our key focus growth areas, and our revenue from sales of yoghurt products grew from approximately VND634 billion in 2006 to approximately VND698 billion in 2007, representing a compound annual growth rate of approximately 10%. As at 31 December 2007, we hold a market share of approximately 26% in the drinking yoghurt market and approximately 97% in the spoon yoghurt market in Vietnam based on a combination of data from internal tracking systems and statistics and externally commissioned reports by AC Nielsen, tracking consumption patterns in 36 out of the 64 cities (including five centrally controlled municipalities) in Vietnam. Vinamilk Drinking Yoghurt is available in three flavours: Fruit, Orange and Strawberry in 180ml packs. Vinamilk Spoon Yoghurt is targeted at the average Vietnamese household.

Marketed as a fresh tasting, delicious and high quality health product, our Vinamilk Spoon Yoghurt product line has dominated the spoon yoghurt market in Vietnam with a market share of approximately 97%. It is available in a variety of flavours such as Strawberry, Fruit, SugarFree with Kefir and Sweetened in 110g carton packs. In addition to the abovementioned dairy products, we also manufacture other dairy products such as ice-cream and cheese. 49 Ice-cream We introduced our brand of ice-cream products in 1976 and produce, distribute and sell our ice-cream in Vietnam under the Vinamilk Brand. Vinamilk Ice-cream is targeted at the midend ice-cream market in Vietnam.

It comes in a variety of flavours such as Chocolate, Coconut, Durian, Green Bean, Strawberry, Vanilla and Taro. Our ice-cream products are available in 450ml or one-litre tubs and also available in pre-packed ice-cream cups, popsicles and cones. Cheese Vinamilk Cheese was launched in 2000 under our anticipation of the potential of the cheese market in Vietnam. The product is currently targeted at the average Vietnamese household and is manufactured using French technology and is available in 140g packs. Non-Dairy Products Other Food and Beverages In addition to our dairy products, we also manufacture and distribute other F&B products such as our V-Fresh line of juices and soya bean milk, Cafe Moment coffee and ICY bottled water.

The revenue for this product segment accounted for approximately 2% of the total revenue of the Company. 50 A n n u a l R e p o r t 2 0 0 7 V-Fresh The product range was introduced in 1990. V-Fresh Juice is designed to target young adults, offering them healthy refreshments that promote a image that is energetic and full of vitality. V-Fresh Juice is manufactured using natural fruit juices. It is available in one litre packs and in a variety of flavours such as Apple, Carrot, Custard-apple, Grape, Grapefruit, Guava, Orange, Peach and Pineapple. Packaged in Tetra Pak packaging, V-Fresh Juice is predominantly distributed in off-premise channels. V-Fresh Soya Milk is one of the most popular drinks among our newly launched products.

V-Fresh Soya Milk is targeted at the mid-end market and is marketed as a value-for-money product. Extracted from selected natural soybeans, our V-Fresh Soya Milk line of products offers consumers a healthy and nondairy alternative to consumers. It is available in flavours such as plain and sweetened in 180ml and one-litre packs. Coffee We produce, distribute and

sell our coffee products in Vietnam under the Cafe Moment brand name. We launched our coffee line of products in 2005. Manufactured from the finest coffee beans, our coffee products offer consumers with a unique tasting experience. Our coffee products offer consumers great value for money.

Cafe Moment is distributed through our nationwide distribution network and through our direct sale channels located primarily in urban areas. 51 52 A n n u a l R e p o r t 2 0 0 7 SAFETY 53 INVeStOr reLatIOnS Vinamilk maintains an effective communication channel with investors through its annual general meeting held on a yearly basis and through Vinamilk' s investor relations function. Financial performance and other important information relating to Vinamilk' s operations are adequately disclosed on its website at www.vinamilk.com.vn and other means of public communications such as HOSE' s website, securities companies' website, newspapers and securities bulletins,.... 54 A n n u a l R e p o r t 2 0 0 7

During the year, Vinamilk has welcomed more than 100 individual and institutional investors, banks, fund managers to visit us, some of our visitors are: HSBC, Hong Kong; CIMB -GK Securities Pte. Ltd; Merrill Lynch (Asia Pacific) Ltd; JP Morgan Securities (Thailand) Ltd; Morgan Stanley Asia Singapore; Saigon Securities Inc. (SSI); BaoViet Securities Company (BVSC); Dragon Capital; Tokio Marine Asset Management; Providential Holdings, Inc. ; York Capital Management, NY; Bridger Capital LLC, NY; Polunin Capital Partners Ltd, London; Metropol, Nga; MFC Global Investment Management; ABN-AMRO Asia Securities (Singapore) Pte Ltd; Moody' s Singapore Pte. Ltd; Mitani Sangyo Co. Ltd; Central Bank of Japan; Naissance Capital Ltd; Deutsche Asset Management, a member of the Deutsche Bank Group;

Deutsche Bank Securities Asia Ltd; Credit Suisse (Singapore) Ltd; Nomura Malaysia Sdn Bhd; Nomura Securities Singapore Pte. Ltd; Citigroup Global Markets Limited; Kim Eng Securities Pte. Ltd; Daiwa Securities SMBC Hong Kong Ltd; BankInvest Group; YUKI Management & Research Co. , Ltd; UOB Asset Management , a member of the United Overseas Bank Group; Our contact details in relation to Investor Relations are as follows: Mr. Tr? n Chi Son tel email Website : : : : Investment Director (84-8) 9300 358 (ext. 252) com. vn www. vinamilk.. com. vn 55 cOMMUNITy actIVItleS

In line with our operationphilosophy, Vinamilk always harmonizes between benefits and value for its shareholders and contribute to community activities for local people where we are operating our business. Vinamilk has been contributing by tens of VND billions per annum for these activities, which may be increasing on a yearly basis. 56 A n n u a l R e p o r t 2 0 0 7 Some of our typical community activities for the year 2006 and 2007 are as follows: In VND billion Donations for poor people and poor/street children 10. 7 Sponsors forscholarshipfund namely “ Cultivation for Vietnamese Young Talents”, “ V? A Dinh” and other activities for children 9. 6 Donations for flooded provinces in the central of Vietnam 2 Our annual traditional sponsorship for two scholarship funds is “ Cultivation for Vietnamese Young Talents” and “ V?

A Dinh”. The first was started since 2003 with the average annual sponsored amount between 1. 5 - 3 billion dong and the later was started since 2004 with the average annual sponsored amount between 0. 14 – 0. 20 billion dong. In addition, Vinamilk has been the sponsor to take care all the life for 20 Vietnamese hero mothers in Ben Tre and Quang Nam provinces since

1997 and now there are 13 mothers to be sponsored by Vinamilk to take care all their li