



**VinaCafé Bien Hoa Joint Stock Company  
and its subsidiary**

Consolidated Financial Statements  
for the year ended 31 December 2018



**VinaCafé Bien Hoa Joint Stock Company**  
**Corporate Information**

**Enterprise Registration  
Certificate No.**

3600261626

29 December 2004

The Company's Enterprise registration certificate has been amended several times, the most recent of which is dated 5 May 2016. The Enterprise registration certificate and its amendments were issued by the Department of Planning and Investment of Dong Nai Province.

**Board of Directors**

Pham Quang Vu	Chairman
Nguyen Hoang Yen	Member
Truong Cong Thang	Member
Pham Dinh Toai	Member
Pham Hong Son	Member
Nguyen Nam Hai	Member

**Board of Management**

Nguyen Tan Ky	Chief Executive Officer
Nguyen Thanh Tung	Deputy Chief Executive Officer
Doan Quoc Hung	Deputy Chief Executive Officer

**Registered Office**

Bien Hoa Industrial Zone 1  
An Binh Ward  
Bien Hoa City  
Dong Nai Province  
Vietnam

**Auditor**

KPMG Limited  
Vietnam

## **VinaCafé Bien Hoa Joint Stock Company**

### **Statement of the Board of Management**

The Board of Management of VinaCafé Bien Hoa Joint Stock Company (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiary (collectively referred to as “the Group”) for the year ended 31 December 2018.

The Company’s Board of Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. In the opinion of the Company’s Board of Management:

- (a) the consolidated financial statements set out on pages 5 to 42 give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated results of operations and its 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; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Company’s Board of Management has, on the date of this statement, authorised these accompanying consolidated financial statements for issue.

On behalf of the Board of Management



Nguyễn Tân Ky  
*Chief Executive Officer*

Dong Nai Province, 7 March 2019



KPMG Limited Branch  
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115 Nguyen Hue Street, Ben Nghe Ward  
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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders VinaCafé Bien Hoa Joint Stock Company**

We have audited the accompanying consolidated financial statements of VinaCafé Bien Hoa Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated balance sheet 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 7 March 2019 as set out on pages 5 to 42.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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



### Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of VinaCafé Bien Hoa Joint Stock Company and its subsidiary as at 31 December 2018 and of their consolidated results of operation 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.: 18-01-00567-19-2



Trương Vinh Phúc  
Practicing Auditor Registration  
Certificate No. 1901-2018-007-1  
Deputy General Director

Nelson Rodriguez Casihan  
Practicing Auditor Registration  
Certificate No. 2225-2018-007-1

Ho Chi Minh City, 7 March 2019

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**Consolidated balance sheet 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)*

	<b>Code</b>	<b>Note</b>	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
<b>ASSETS</b>				
<b>Current assets</b> <b>(100 = 110 + 130 + 140 + 150)</b>	<b>100</b>		<b>1,571,368,435,414</b>	<b>2,829,757,572,782</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>195,173,528,412</b>	<b>2,495,714,686,629</b>
Cash	111		15,173,528,412	11,814,686,629
Cash equivalents	112		180,000,000,000	2,483,900,000,000
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>1,095,156,431,326</b>	<b>43,705,236,791</b>
Accounts receivable from customers	131	6	1,090,496,821,395	36,981,549,864
Prepayments to suppliers	132		3,520,367,530	751,791,204
Other short-term receivables	136	7(a)	1,139,242,401	5,971,895,723
<b>Inventories</b>	<b>140</b>	<b>8</b>	<b>271,748,037,674</b>	<b>276,210,369,895</b>
Inventories	141		273,042,057,465	278,109,725,782
Allowance for inventories	149		(1,294,019,791)	(1,899,355,887)
<b>Other current assets</b>	<b>150</b>		<b>9,290,438,002</b>	<b>14,127,279,467</b>
Short-term prepaid expenses	151		628,537,330	3,907,334,338
Deductible value added tax	152		8,661,900,672	8,750,729,417
Taxes and others receivable from State Treasury	153		-	1,469,215,712

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**Consolidated balance sheet 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)*

	<b>Code</b>	<b>Note</b>	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
<b>Long-term assets</b> <b>(200 = 210 + 220 + 240 + 260)</b>	<b>200</b>		<b>645,268,101,344</b>	<b>753,585,571,436</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>5,000,000</b>	<b>199,160,000</b>
Other long-term receivables	216	7(b)	5,000,000	199,160,000
<b>Fixed assets</b>	<b>220</b>		<b>595,438,965,445</b>	<b>666,554,636,023</b>
Tangible fixed assets	221	9	594,690,599,917	665,582,559,639
Cost	222		1,081,459,964,788	1,070,794,281,378
Accumulated depreciation	223		(486,769,364,871)	(405,211,721,739)
Intangible fixed assets	227	10	748,365,528	972,076,384
Cost	228		2,180,358,879	2,180,358,879
Accumulated amortisation	229		(1,431,993,351)	(1,208,282,495)
<b>Long-term work in progress</b>	<b>240</b>		<b>4,330,935,678</b>	<b>8,261,322,378</b>
Construction in progress	242	11	4,330,935,678	8,261,322,378
<b>Other long-term assets</b>	<b>260</b>		<b>45,493,200,221</b>	<b>78,570,453,035</b>
Long-term prepaid expenses	261	12	22,559,571,091	24,054,252,687
Deferred tax assets	262	13	2,778,016,428	31,642,976,938
Goodwill	269	14	20,155,612,702	22,873,223,410
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>2,216,636,536,758</b>	<b>3,583,343,144,218</b>

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**Consolidated balance sheet 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
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>814,442,496,273</b>	<b>2,818,126,415,213</b>
<b>Current liabilities</b>	<b>310</b>		<b>807,942,804,312</b>	<b>2,812,041,458,744</b>
Accounts payable to suppliers	311	15	351,380,171,841	392,142,293,178
Advances from customers	312		7,436,439,795	17,118,507,057
Taxes payable to State Treasury	313	16	42,871,542,088	26,640,938,561
Accrued expenses	315	17	38,730,387,959	191,663,284,616
Other short-term payables	319	18(a)	3,844,999,839	1,756,282,893,506
Short-term borrowings	320	19	342,647,365,332	407,161,644,368
Bonus and welfare funds	322		21,031,897,458	21,031,897,458
<b>Long-term liabilities</b>	<b>330</b>		<b>6,499,691,961</b>	<b>6,084,956,469</b>
Other long-term payables	337	18(b)	95,089,961	1,011,020,719
Provisions – long-term	342		6,404,602,000	5,073,935,750
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>1,402,194,040,485</b>	<b>765,216,729,005</b>
<b>Owners' equity</b>	<b>410</b>	<b>20</b>	<b>1,402,194,040,485</b>	<b>765,216,729,005</b>
Share capital	411	20	265,791,350,000	265,791,350,000
- Ordinary shares with voting rights	411a		265,791,350,000	265,791,350,000
Share premium	412	21	29,974,241,968	29,974,241,968
Investment and development fund	418	22	213,510,848,947	213,510,848,947
Undistributed profits after tax	421		900,756,030,882	260,832,034,286
- Undistributed profits after tax brought forward	421a		260,832,034,286	-
- Undistributed profit after tax for the current year	421b		639,923,996,596	260,832,034,286
Non-controlling interests	429		(7,838,431,312)	(4,891,746,196)
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>2,216,636,536,758</b>	<b>3,583,343,144,218</b>

7 March 2019

Prepared by:



Nguyen Thi Ngoc Tram  
General Accountant

Approved by:



Phan Thi Thuy Hoa  
Chief Accountant



Nguyen Tan Ky  
Chief Executive Officer

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**Consolidated statement of income for the year ended 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
<b>Revenue from sales of goods and provision of services</b>	<b>01</b>	<b>24</b>	<b>3,454,856,973,562</b>	<b>3,340,245,564,366</b>
<b>Revenue deductions</b>	<b>02</b>	<b>24</b>	<b>19,921,683,133</b>	<b>91,400,978,489</b>
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>24</b>	<b>3,434,935,290,429</b>	<b>3,248,844,585,877</b>
<b>Cost of sales</b>	<b>11</b>	<b>25</b>	<b>2,593,804,999,350</b>	<b>2,029,621,731,324</b>
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>841,130,291,079</b>	<b>1,219,222,854,553</b>
Financial income	21	26	33,060,651,045	91,973,100,028
Financial expenses	22	27	18,399,232,571	12,138,469,056
<i>In which: Interest expense</i>	23		<i>18,078,537,177</i>	<i>11,417,754,176</i>
Selling expenses	25	28	33,302,429,275	723,029,878,478
General and administration expenses	26	29	45,633,939,151	122,937,601,813
<b>Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}</b>	<b>30</b>		<b>776,855,341,127</b>	<b>453,090,005,234</b>
Other income	31		71,579,755	382,101,620
Other expenses	32		615,875,336	198,292,202
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>(544,295,581)</b>	<b>183,809,418</b>
<b>Accounting profit before tax (50 = 30 + 40)</b>	<b>50</b>		<b>776,311,045,546</b>	<b>453,273,814,652</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>31</b>	<b>110,468,773,556</b>	<b>86,598,179,818</b>
<b>Income tax expense/(benefit) – deferred</b>	<b>52</b>	<b>31</b>	<b>28,864,960,510</b>	<b>(2,667,201,321)</b>
<b>Net profit after tax (60 = 50 - 51 - 52) (carried forward to next page)</b>	<b>60</b>		<b>636,977,311,480</b>	<b>369,342,836,155</b>

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**Consolidated statement of income for the year ended 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
<b>Net profit after tax (brought forward from previous page)</b>	<b>60</b>		<b>636,977,311,480</b>	<b>369,342,836,155</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		639,923,996,596	372,493,876,137
Non-controlling interests	62		(2,946,685,116)	(3,151,039,982)
<b>Earnings per share</b>				
Basic earnings per share	70	32	24,076	14,015

7 March 2019

Prepared by:



Nguyen Thi Ngoc Tram  
General Accountant

Approved by:




Phan Thi Thuy Hoa  
Chief Accountant

Nguyen Tan Ky  
Chief Executive Officer

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**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)*

	<b>Code</b>	<b>2018 VND</b>	<b>2017 VND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Accounting profit before tax</b>	<b>01</b>	<b>776,311,045,546</b>	<b>453,273,814,652</b>
<b>Adjustments for</b>			
Depreciation and amortisation	02	84,498,964,696	80,309,693,828
Allowances and provisions	03	5,870,332,736	14,327,746,541
Exchange losses/(gains) arising from revaluation of monetary items dominated in foreign currencies	04	45,468,280	(44,376,301)
Profit from investing activities	05	(32,110,667,089)	(91,372,868,374)
Interest expense	06	18,078,537,177	11,417,754,176
<b>Operating profit before changes in working capital</b>	<b>08</b>	<b>852,693,681,346</b>	<b>467,911,764,522</b>
Change in receivables and other assets	09	(1,052,394,594,243)	7,861,767,798
Change in inventories	10	(77,334,265)	(92,506,123,861)
Change in payables and other liabilities	11	(197,858,009,496)	7,110,424,873
Change in prepaid expenses	12	9,924,601,088	8,833,653,809
		<b>(387,711,655,570)</b>	<b>399,211,487,141</b>
Interest paid	14	(17,773,438,883)	(10,402,886,165)
Corporate income tax paid	15	(100,110,923,776)	(94,522,860,729)
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>(505,596,018,229)</b>	<b>294,285,740,247</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets and other long-term assets	21	(13,764,016,981)	(17,485,486,032)
Proceeds from disposals of fixed assets	22	-	225,017,682
Placement of term deposits at banks and payment for other investment	23	(100,000,000,000)	(2,078,000,000,000)
Payments for granting loans	23	-	(500,000,000,000)
Withdrawal of term deposits at banks and other investments	24	100,000,000,000	2,523,000,000,000
Receipts from collecting loans	24	-	500,000,000,000
Receipts of bank interest, loan and other investment	27	35,808,758,641	92,531,067,423
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>22,044,741,660</b>	<b>520,270,599,073</b>

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**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	2018 VND	2017 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	33	1,685,424,184,115	1,292,951,910,366
Payments to settle loan principals	34	(1,749,938,463,151)	(1,226,170,190,441)
Payments of dividends	36	(1,752,597,119,200)	-
<b>Net cash flows from financing activities</b>	<b>40</b>	<b>(1,817,111,398,236)</b>	<b>66,781,719,925</b>
<b>Net cash flows during the year</b> (50 = 20 + 30 + 40)	<b>50</b>	<b>(2,300,662,674,805)</b>	<b>881,338,059,245</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>2,495,714,686,629</b>	<b>1,614,295,701,893</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>61</b>	<b>121,516,588</b>	<b>80,925,491</b>
<b>Cash and cash equivalents at the end of the year</b> (70 = 50 + 60 + 61) (Note 5)	<b>70</b>	<b>195,173,528,412</b>	<b>2,495,714,686,629</b>

7 March 2019

Prepared by:



Nguyen Thi Ngoc Tram  
General Accountant

Approved by:



Phan Thi Thuy Hoa  
Chief Accountant



Nguyen Tan Ky  
Chief Executive Officer

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**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 these accompanying consolidated financial statements.

## **1. Reporting entity**

### **(a) Ownership structure**

VinaCafé Bien Hoa Joint Stock Company (“the Company”) is a joint stock company incorporated in Vietnam. The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiary (collectively referred to as “the Group”).

### **(b) Principal activities**

The principal activities of the Company are to manufacture and sell various kinds of coffees, instant cereals and non-alcoholic drinks in the domestic and oversea markets.

### **(c) Normal operating cycle**

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

### **(d) Group structure**

As at 31 December 2018, the Group has 1 subsidiary (1/1/2018: the Group had 1 subsidiary). Detail information of the subsidiary is described as follows:

Name	Principal activities	Address	Percentage of economic interests and voting rights	
			31/12/2018	1/1/2018
Café De Nam Joint Stock Company (formerly known as CDN Production Trading Corporation)	Beverage manufacturing and trading	Lot C I.III-3+5+7, Long Thanh industrial zone, Tam An commune, Long Thanh district, Dong Nai province, Vietnam.	85%	85%

The subsidiary is incorporated in Vietnam.

As at 31 December 2018, the Group had 327 employees (1/1/2018: 346 employees).

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**Notes to the consolidation 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)*

**2. Basis of preparation**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

These 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 are prepared using the indirect method.

**(c) Annual accounting period**

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

**(d) Accounting and presentation currency**

The Group's accounting currency is Vietnam Dong ("VND") which is also the currency used for financial statements presentation purpose.

**(e) Corresponding figures**

The corresponding figures as at 1 January 2018 were brought forward from the audited figures as at 31 December 2017.

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**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)*

**3. Summary of significant accounting policies**

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

**(a) Basis of consolidation**

**(i) Subsidiary**

Subsidiary is an entity controlled by the Group. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(ii) Non-controlling interests**

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

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with shareholders. 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 undistributed profits after tax under equity.

**(iii) 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.

**(iv) Business combination**

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

**(b) Foreign currency transactions**

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

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

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

**VinaCafé Bien Hoa Joint Stock Company and its subsidiary**  
**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)*

**(c) Cash and cash equivalents**

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

**(d) Accounts receivables from customers and other receivables**

Account receivables from customers and other receivables are stated at cost less allowance for doubtful debts.

**(e) Inventories**

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

The Group applies the perpetual method of accounting for inventories.

**(f) Tangible fixed assets**

**(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. 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 cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

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

▪ buildings and structures	5 – 25 years
▪ machinery and equipment	3 – 20 years
▪ office equipment	3 – 7 years
▪ motor vehicles	5 – 10 years

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**(g) Intangible fixed assets**

**(i) Software**

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 3 years.

**(ii) Brand name**

Cost of acquiring brand name is capitalised and treated as an intangible asset and is amortised on a straight-line basis over 8 years.

**(h) Construction in progress**

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

**(i) Long-term prepaid expenses**

**(i) Prepaid land costs**

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under prevailing regulations 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 remaining term of the lease of 43 years.

**(ii) Tools and supplies**

Tools and supplies 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 regulations. Cost of tools and supplies are amortised on a straight-line basis over a period ranging from 2 to 3 years.

**(j) Goodwill**

Goodwill arises on the acquisition of a subsidiary 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.

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**(k) Accounts payable to suppliers and other payables**

Accounts payable to suppliers and other payables are stated at their costs.

**(l) 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 Group are excluded.

**(m) Share capital and share premium**

Ordinary shares are classified as equity. Ordinary shares are recognised at issuance price less incremental costs directly attributable to the issue of shares, net of tax effects. Such costs are recognised as a deduction from share premium. The excess of proceeds from issuance of shares over the par value of shares issued is recorded as share premium.

**(n) Taxation**

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

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

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

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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 difference 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.

**(o) Revenue**

**(i) Sales of goods**

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

**(ii) 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.

**(p) Financial income and financial expenses**

**(i) Financial income**

Financial income comprises interest income from deposits at banks, interest income from other investments and foreign exchange gains.

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

**(ii) Financial expenses**

Financial expenses mainly comprise interest expenses on borrowings and foreign exchange losses.

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

**(q) 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.

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**(r) Earnings per share**

The Group presents basic and diluted earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the consolidated profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the consolidated profit or loss attributable to the ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares.

The consolidated profit or loss attributable to the ordinary shareholders of Company is determined after deducting any amounts appropriated to bonus and welfare funds for the year.

**(u) 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 business segments.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise cash and cash equivalents and related income, investments and related income, loans and borrowings and related expenses, the Company’s headquarters’ corporate assets, selling expenses, general and administration expenses, income tax assets and liabilities and expenses, and items that are attributable to more than one segment and cannot reasonably be allocated to a segment.

**(v) Related parties**

Parties are considered to be related to the Group if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to parent company and its ultimate parent company and their subsidiaries and associates.

**4. Segment reporting**

**(a) Business segments**

The Group operates in the following main business segments:

- Coffee;
- Cereals;
- Non-alcoholic drinks; and
- Others.

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<b>For the year ended 31 December 2018</b>	<b>Coffee VND</b>	<b>Cereals VND</b>	<b>Non-alcoholic drinks VND</b>	<b>Others VND</b>	<b>Consolidated VND</b>
Local sales	1,429,323,296,176	267,800,821,276	1,491,604,861,233	13,557,502,422	3,202,286,481,107
Export sales	223,828,984,082	8,819,825,240	-	-	232,648,809,322
Total segment revenue – net	1,653,152,280,258	276,620,646,516	1,491,604,861,233	13,557,502,422	3,434,935,290,429
Segment cost of sales	(1,349,364,804,426)	(183,756,965,052)	(1,049,046,642,501)	(11,636,587,371)	(2,593,804,999,350)
Segment gross profit	303,787,475,832	92,863,681,464	442,558,218,732	1,920,915,051	841,130,291,079
Unallocated selling expenses					(33,302,429,275)
Unallocated general and administration expenses					(45,633,939,151)
Financial income					33,060,651,045
Financial expenses					(18,399,232,571)
Net operating profit					776,855,341,127
Other income					71,579,755
Other expenses					(615,875,336)
Income tax expense					(139,333,734,066)
Net profit after tax					636,977,311,480

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<b>For the year ended 31 December 2017</b>	<b>Coffee VND</b>	<b>Cereals VND</b>	<b>Non-alcoholic drinks VND</b>	<b>Others VND</b>	<b>Consolidated VND</b>
Local sales	1,532,372,976,833	302,091,079,304	1,224,997,374,550	4,893,370,748	3,064,354,801,435
Export sales	178,191,861,117	6,297,923,325	-	-	184,489,784,442
Total segment revenue – net	1,710,564,837,950	308,389,002,629	1,224,997,374,550	4,893,370,748	3,248,844,585,877
Segment cost of sales	(1,193,903,355,027)	(163,891,275,370)	(667,988,842,880)	(3,838,258,047)	(2,029,621,731,324)
Segment gross profit	516,661,482,923	144,497,727,259	557,008,531,670	1,055,112,701	1,219,222,854,553
Unallocated selling expenses					(723,029,878,478)
Unallocated general and administration expenses					(122,937,601,813)
Financial income					91,973,100,028
Financial expenses					(12,138,469,056)
Net operating profit					453,090,005,234
Other income					382,101,620
Other expenses					(198,292,202)
Income tax expense					(83,930,978,497)
Net profit after tax					369,342,836,155

Assets and liabilities cannot be segregated to different segments on a reasonable basis.

**(b) Geographical segments**

The Group operates in one geographical segment which is in Vietnam.

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**5. Cash and cash equivalents**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND</b>	<b>VND</b>
Cash on hand	60,832,637	106,401,725
Cash at banks	15,112,695,775	11,708,284,904
Cash equivalents	180,000,000,000	2,483,900,000,000
Cash and cash equivalents in the consolidated statement of cash flows	195,173,528,412	2,495,714,686,629

Cash equivalents represented term deposits at banks with original terms to maturity of three months or less from their transaction dates.

**6. Accounts receivable from customers**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND</b>	<b>VND</b>
Receivable from related parties	1,071,078,423,369	938,357,041
Receivable from third parties	19,418,398,026	36,043,192,823
	1,090,496,821,395	36,981,549,864

Please see Note 33 for balances between the Group and the related parties. The trade related amounts due from related parties were unsecured, interest free and are receivable within 90 days from invoice date.

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**7. Other receivables**

**(a) Other short-term receivables**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND</b>	<b>VND</b>
Accrued interest receivable from deposits at banks	636,191,781	4,334,283,333
Short-term deposits	402,000,000	1,132,677,200
Others	101,050,620	504,935,190
	<hr/>	<hr/>
	1,139,242,401	5,971,895,723
	<hr/>	<hr/>

**(b) Other long-term receivables**

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND</b>	<b>VND</b>
Long-term deposits	5,000,000	199,160,000
	<hr/>	<hr/>

**8. Inventories**

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Cost</b>	<b>Allowance</b>	<b>Cost</b>	<b>Allowance</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Goods in transit	4,650,644,930	-	21,040,427,795	-
Raw materials	220,485,410,341	(490,497,084)	155,070,062,658	(128,614,804)
Tools and supplies	8,002,377,993	(803,522,707)	7,819,180,031	-
Finished goods	38,611,580,523	-	91,653,447,622	(1,770,408,875)
Merchandise inventories	1,292,043,678	-	2,526,607,676	(332,208)
	<hr/>	<hr/>	<hr/>	<hr/>
	273,042,057,465	(1,294,019,791)	278,109,725,782	(1,899,355,887)
	<hr/>	<hr/>	<hr/>	<hr/>

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

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Opening balance	1,899,355,887	2,889,903,268
Increase in allowance during the year	4,539,666,486	9,288,766,839
Allowance utilised during the year	(5,145,002,582)	(10,244,358,172)
Written back	-	(34,956,048)
	<hr/>	<hr/>
Closing balance	1,294,019,791	1,899,355,887
	<hr/>	<hr/>

Included in inventories of the Group at 31 December 2018 were VND1,294 million (1/1/2018: VND1,899 million) of slow-moving inventories.

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**9. Tangible fixed assets**

	<b>Buildings and structures VND</b>	<b>Machinery and equipment VND</b>	<b>Office equipment VND</b>	<b>Motor vehicles VND</b>	<b>Total VND</b>
<b>Cost</b>					
Opening balance	203,621,464,636	859,281,736,596	3,405,124,475	4,485,955,671	1,070,794,281,378
Transfer from construction in progress	-	10,296,883,410	368,800,000	-	10,665,683,410
Closing balance	203,621,464,636	869,578,620,006	3,773,924,475	4,485,955,671	1,081,459,964,788
<b>Accumulated depreciation</b>					
Opening balance	52,113,103,886	346,922,647,185	2,897,034,083	3,278,936,585	405,211,721,739
Charge for the year	11,126,715,765	69,890,399,792	183,285,009	357,242,566	81,557,643,132
Closing balance	63,239,819,651	416,813,046,977	3,080,319,092	3,636,179,151	486,769,364,871
<b>Net book value</b>					
Opening balance	151,508,360,750	512,359,089,411	508,090,392	1,207,019,086	665,582,559,639
Closing balance	140,381,644,985	452,765,573,029	693,605,383	849,776,520	594,690,599,917

Included in the cost of tangible fixed assets were assets costing VND171,785 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND162,481 million), but which are still in active use.

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**10. Intangible fixed assets**

	Software VND	Brand name VND	Total VND
<b>Cost</b>			
Opening and closing balances	1,304,073,640	876,285,239	2,180,358,879
<b>Accumulated amortisation</b>			
Opening balance	1,012,406,973	195,875,522	1,208,282,495
Charge for the year	100,000,000	123,710,856	223,710,856
Closing balance	1,112,406,973	319,586,378	1,431,993,351
<b>Net book value</b>			
Opening balance	291,666,667	680,409,717	972,076,384
Closing balance	191,666,667	556,698,861	748,365,528

Included in the cost of intangible fixed assets were assets costing VND1,004 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND1,004 million), but which are still in active use.

**11. Construction in progress**

	<b>2018 VND</b>
Opening balance	8,261,322,378
Additions during the year	11,886,419,194
Transfer to tangible fixed assets	(10,665,683,410)
Transfer to long-term prepaid expenses	(5,151,122,484)
Closing balance	4,330,935,678

Major constructions in progress were as follows:

	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
Machinery and equipment	4,252,190,419	8,261,322,378
Others	78,745,259	-
	4,330,935,678	8,261,322,378

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**12. Long-term prepaid expenses**

	<b>Prepaid land costs VND</b>	<b>Tools and supplies VND</b>	<b>Total VND</b>
Opening balance	14,903,157,509	9,151,095,178	24,054,252,687
Additions during the year	-	882,339,533	882,339,533
Transfer from construction in progress	-	5,151,122,484	5,151,122,484
Amortisation for the year	(402,788,040)	(7,125,355,573)	(7,528,143,613)
Closing balance	14,500,369,469	8,059,201,622	22,559,571,091

**13. Deferred tax assets**

Deferred tax assets were recognised in respect of the following items:

	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
Accrued advertising and promotion expenses	-	22,546,637,213
Accrued logistic expenses	-	2,641,753,399
Accrued sales discounts	-	3,628,140,556
Unrealised profits	5,430,327	58,906,571
Other accruals	2,772,586,101	2,767,539,199
	2,778,016,428	31,642,976,938

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## 14. Goodwill

	<b>31/12/2018</b> <b>VND</b>
<b>Cost</b>	
Opening and closing balances	27,176,107,031
<b>Accumulated amortisation</b>	
Opening balance	4,302,883,621
Charge for the year	2,717,610,708
Closing balance	7,020,494,329
<b>Net book value</b>	
Opening balance	22,873,223,410
Closing balance	20,155,612,702

## 15. Accounts payable to suppliers

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Cost</b>	<b>Amount within</b>	<b>Cost</b>	<b>Amount within</b>
	<b>VND</b>	<b>payment</b>	<b>VND</b>	<b>payment</b>
		<b>capacity</b>		<b>capacity</b>
		<b>VND</b>		<b>VND</b>
Payable to third parties	277,026,442,205	277,026,442,205	249,824,259,248	249,824,259,248
Payable to related parties	74,353,729,636	74,353,729,636	142,318,033,930	142,318,033,930
	351,380,171,841	351,380,171,841	392,142,293,178	392,142,293,178

Please see Note 33 for balances between the Group and the related parties. The trade related amounts due to related parties were unsecured, interest free and are payable within 90 days from invoice date.

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**16. Taxes payable to State Treasury**

	<b>1/1/2018 VND</b>	<b>Incurred VND</b>	<b>Paid VND</b>	<b>Deducted/refunded VND</b>	<b>31/12/2018 VND</b>
Corporate income tax	26,513,040,845	110,468,773,556	(100,110,923,776)	-	36,870,890,625
Value added tax	-	319,921,023,447	(105,782,489,855)	(208,360,505,123)	5,778,028,469
Personal income tax	127,897,716	3,975,000,412	(3,655,089,351)	(225,185,783)	222,622,994
Other taxes	-	18,139,035,010	(18,139,035,010)	-	-
	<b>26,640,938,561</b>	<b>452,503,832,425</b>	<b>(227,687,537,992)</b>	<b>(208,585,690,906)</b>	<b>42,871,542,088</b>

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**17. Accrued expenses**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Bonus and 13 <sup>th</sup> month salary	17,217,272,100	8,167,950,513
Purchases not yet received invoices	8,252,754,279	1,211,168,861
Accrued processing fees	6,793,863,741	1,838,085,117
Accrued interest expenses	1,731,400,260	1,426,301,966
Construction in progress	929,553,800	1,804,664,200
Advertising and promotion expenses	-	131,957,794,807
Sales discounts	-	20,875,377,191
Logistics expenses	-	15,199,962,019
Market research expenses	-	4,318,011,343
Exhibition expenses	-	1,886,733,817
Others	3,805,543,779	2,977,234,782
	<hr/> 38,730,387,959	<hr/> 191,663,284,616 <hr/>

**18. Other payables**

**(a) Other short-term payables**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Dividend payables to parent company	-	1,200,921,084,000
Dividend payables to non-controlling interest	1,652,178,000	553,301,826,000
Short-term deposits received	1,217,744,908	1,093,187,218
Social insurance, health insurance, unemployment insurance and trade union fees	258,019,603	222,848,390
Others	717,057,328	743,947,898
	<hr/> 3,844,999,839	<hr/> 1,756,282,893,506 <hr/>

**(b) Other long-term payables**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Long-term deposits received	95,089,961	1,011,020,719
	<hr/>	<hr/>

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**19. Short-term borrowings**

	<b>1/1/2018</b>		<b>Movements during the year</b>		<b>31/12/2018</b>	
	<b>Carrying amount VND</b>	<b>Amount within repayment capacity VND</b>	<b>Addition VND</b>	<b>Decrease VND</b>	<b>Carrying amount VND</b>	<b>Amount within repayment capacity VND</b>
Short-term borrowings	407,161,644,368	407,161,644,368	1,685,424,184,115	(1,749,938,463,151)	342,647,365,332	342,647,365,332

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

	<b>Currency</b>	<b>Annual interest rate</b>	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
Unsecured bank loan	VND	5.1% – 6.7%	342,647,365,332	407,161,644,368

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**20. Changes in owners' equity**

	<b>Share capital VND</b>	<b>Share premium VND</b>	<b>Investment and development fund VND</b>	<b>Undistributed profits after tax VND</b>	<b>Non-controlling interest VND</b>	<b>Total owners' equity VND</b>
<b>Balance at 1 January 2017</b>	265,791,350,000	29,974,241,968	213,510,848,947	1,642,561,068,149	(1,740,706,214)	2,150,096,802,850
Net profit for the year	-	-	-	372,493,876,137	(3,151,039,982)	369,342,836,155
Dividends	-	-	-	(1,754,222,910,000)	-	(1,754,222,910,000)
<b>Balance at 1 January 2018</b>	265,791,350,000	29,974,241,968	213,510,848,947	260,832,034,286	(4,891,746,196)	765,216,729,005
Net profit for the year	-	-	-	639,923,996,596	(2,946,685,116)	636,977,311,480
<b>Balance at 31 December 2018</b>	265,791,350,000	29,974,241,968	213,510,848,947	900,756,030,882	(7,838,431,312)	1,402,194,040,485

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## **21. Share capital and share premium**

The Company's authorised and issued share capitals are as follow:

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Number of shares</b>	<b>VND</b>	<b>Number of shares</b>	<b>VND</b>
<b>Authorised and issued share capital</b>				
Ordinary shares	26,579,135	265,791,350,000	26,579,135	265,791,350,000
<b>Shares in circulation</b>				
Ordinary shares	26,579,135	265,791,350,000	26,579,135	265,791,350,000
<b>Share premium</b>		29,974,241,968		29,974,241,968

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.

Share premium represents the excess of the proceeds on issuance of shares over their par value.

There were no movements in share capital during the year.

## **22. Investment and development fund**

Investment and development fund was appropriated from profit after tax in accordance with the resolution of Annual General Meeting of Shareholders. This fund was established for the purpose of future business expansion.

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**23. Off balance sheet items**

**(a) Lease commitments**

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

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND</b>	<b>VND</b>
Within 1 year	6,710,676,000	6,049,348,200
Within 2 to 5 years	-	5,810,136,000
	<hr/> 6,710,676,000	<hr/> 11,859,484,200 <hr/>

**(b) Foreign currency**

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Original</b>	<b>VND</b>	<b>Original</b>	<b>VND</b>
	<b>currency</b>	<b>equivalent</b>	<b>currency</b>	<b>equivalent</b>
USD	392,617	9,085,157,380	56,025	1,269,529,446
	<hr/>			

**(c) Capital expenditure commitments**

The Group had the following outstanding capital commitments approved but not provided for in the consolidated balance sheets:

	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>VND</b>	<b>VND</b>
Approved but not contracted	1,696,074,234	2,748,510,000
Approved and contracted	4,784,490,643	190,950,000
	<hr/> 6,480,564,877	<hr/> 2,939,460,000 <hr/>

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**24. Revenue from sales of goods and provision of services**

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

Net revenue comprised:

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Total revenue		
▪ Sales of goods	3,447,209,327,953	3,339,522,332,691
▪ Other sales	7,647,645,609	723,231,675
	<hr/> 3,454,856,973,562	<hr/> 3,340,245,564,366
Less revenue deductions		
▪ Sales discounts	17,641,525,885	50,514,661,505
▪ Sales returns	2,280,157,248	40,886,316,984
	<hr/> 19,921,683,133	<hr/> 91,400,978,489
Net revenue	<hr/> 3,434,935,290,429	<hr/> 3,248,844,585,877

**25. Cost of sales**

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Total cost of sales		
▪ Goods sold	2,571,988,164,718	2,019,682,779,112
▪ Other sales	17,277,168,146	685,141,421
▪ Allowance for inventories	4,539,666,486	9,253,810,791
	<hr/> 2,593,804,999,350	<hr/> 2,029,621,731,324

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**26. Financial income**

	<b>2018 VND</b>	<b>2017 VND</b>
Interest income from deposits at banks	26,585,667,089	72,283,424,424
Interest income from other investment	5,525,000,000	18,992,237,443
Foreign exchange gains	949,983,956	697,438,161
	<hr/> 33,060,651,045	<hr/> 91,973,100,028 <hr/>

**27. Financial expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Interest expense	18,078,537,177	11,417,754,176
Foreign exchange losses	320,695,394	720,714,880
	<hr/> 18,399,232,571	<hr/> 12,138,469,056 <hr/>

**28. Selling expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Advertising and promotion expenses	20,316,411,808	528,931,512,615
Logistics expenses	6,802,047,136	87,885,447,279
Staff costs	2,404,767,940	2,667,400,716
Marketing research expenses	926,681,019	13,764,459,033
Management fee	-	75,397,863,310
Exhibition expenses	-	13,067,874,524
Other selling expenses	2,852,521,372	1,315,321,001
	<hr/> 33,302,429,275	<hr/> 723,029,878,478 <hr/>

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**29. General and administration expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Staff costs	27,192,193,355	19,609,882,433
Amortisation of goodwill	2,717,610,708	2,717,610,708
Management fee	1,440,000,000	86,191,212,608
Research and development expenses	1,258,460,384	2,138,193,161
Depreciation and amortisation of fixed assets	374,132,571	713,407,132
Leased line system and information technology services	130,828,475	453,295,921
Others expenses	12,520,713,658	11,113,999,850
	45,633,939,151	122,937,601,813

**30. Production and business costs by element**

	<b>2018 VND</b>	<b>2017 VND</b>
Raw material costs included in production costs	2,208,918,688,020	1,741,362,744,889
Labour and staff costs	106,354,544,362	88,996,299,149
Depreciation and amortisation	84,498,964,696	80,309,693,828
Outside services	218,129,603,689	895,482,614,712
Other expenses	54,839,567,009	69,437,859,037

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### **31. Corporate income tax**

#### **(a) Recognised in the consolidated statement of income**

	<b>2018 VND</b>	<b>2017 VND</b>
<b>Current tax expense</b>		
Current year	111,952,272,092	84,170,343,268
(Over)/under provision in prior years	(1,483,498,536)	2,427,836,550
	<hr/> 110,468,773,556	<hr/> 86,598,179,818
<b>Deferred tax income</b>		
Origination and reversal of temporary differences	29,237,499,890	1,493,434,049
Effect of change in tax rate	(372,539,380)	(4,160,635,370)
	<hr/> 28,864,960,510	<hr/> (2,667,201,321)
Income tax expense	<hr/> 139,333,734,066	<hr/> 83,930,978,497

#### **(b) Reconciliation of effective tax rate**

	<b>2018 VND</b>	<b>2017 VND</b>
Accounting profit before tax	776,311,045,546	453,273,814,652
Tax at the Company's tax rate	155,262,209,109	90,654,762,931
Effect of change in tax rate	(372,539,380)	(4,160,635,370)
Effect of amortisation of goodwill	543,522,140	543,522,140
Non-deductible expenses	3,450,466,028	1,283,762,777
Effect of different tax rate applied to expansion project	(18,740,980,231)	(10,079,600,768)
(Over)/under provision in prior years	(1,483,498,536)	2,427,836,550
Deferred tax assets not recognised (*)	674,554,936	3,261,330,237
	<hr/> 139,333,734,066	<hr/> 83,930,978,497

(\*) Deferred tax assets have not been recognised in respect of temporary differences and tax losses of a subsidiary because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits therefrom. The tax losses of a subsidiary are subject to tax review and have not been finalised.

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**(c) Applicable tax rates**

According to the corporate income tax law and the Law on encouragement of domestic investment, the Company has an obligation to pay the government corporate income tax at the incentive tax rate of 15% of taxable profits for the first twelve years (2005 to 2016) since the Company is a joint stock company which was converted from a state-owned enterprise before 2006. The Company is also exempted from corporate income tax for three years starting from the first year it generates taxable profits (2005 to 2007) and entitled to a 50% reduction in corporate income tax for seven succeeding years (2008 to 2014). All the above tax incentives are not applicable to other incomes and taxable profits from expansion project, which are subject to the normal corporate income tax rate.

The Company obtained an Investment Licence No, 47221000778 on 24 December 2009 for Bien Hoa II Coffee Manufacturing Factory based in Long Thanh District, Dong Nai Province (“Long Thanh Factory”). According to the first amended Investment Licence, taxable profits generated from Long Thanh Factory will be subject to the normal corporate income tax rate and is eligible to apply the tax exemption and reduction year as follows:

- Exempted from corporate income tax for two years starting from the first year Long Thanh Factory generates taxable profits (2014 to 2015); and
- Entitled to a 50% reduction in corporate income tax for four succeeding years (2016 to 2019).

The subsidiary has an obligation to pay the government corporate income tax rate 20% of taxable profits.

The normal corporate income tax rate applicable to enterprises before any incentives is 20%.

**(d) Tax contingencies**

The taxation laws and their application in Vietnam are subject to interpretation and change over time as well as from one tax office to another. The final tax position may be subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Vietnam that are substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, including transfer pricing requirements and computation of corporate income tax. However, the relevant authorities may have different interpretations and the effects could be significant.

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## **32. Earnings per share**

### **(a) Basic earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders of the Company after deducting the amounts appropriated to bonus and welfare funds for the year of VND639,923,996,596 (2017: VND372,493,876,137) and a weighted average number of ordinary shares outstanding of 26,579,135 (2017: 26,579,135), calculated as follows:

#### **(i) Net profit attributable to ordinary shareholders**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Net profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare funds	639,923,996,596	372,493,876,137

#### **(ii) Weighted average number of ordinary shares**

	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares at the end of the year	26,579,135	26,579,135

#### **(iii) Basic earnings per share**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Basic earnings per share	24,076	14,015

### **(b) Diluted earnings per share**

As at 31 December 2018 and 1 January 2018, the Group did not have potential ordinary shares. Therefore the presentation of diluted earnings per share is not applicable.

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### 33. Significant transactions with related parties

During the year and as at the year end, the Group has the following significant transactions and balances with its related parties:

	Transaction value		Receivables/ (payables) as at	
	2018	2017	31/12/2018	1/1/2018
	VND	VND	VND	VND
<b>Parent of the parent company</b>				
<b>Masan Consumer Corporation</b>				
Purchases of goods	74,469,308,876	50,226,623,671	-	(3,870,083,455)
Sales of goods	2,963,763,118,610	436,807,822	1,071,066,087,409	-
Management fee	-	159,438,082,170	-	(87,828,531,406)
<b>Parent company</b>				
<b>Masan Beverage Company Limited</b>				
Dividends	-	1,200,921,084,000	-	(1,200,921,084,000)
<b>Related parties</b>				
<b>Masan Industrial One Member Company Limited</b>				
Sales of goods	564,149,809	418,635,488	6,999,300	6,999,300
Sales of fixed assets	-	83,124,995	-	91,437,495
Purchases of goods and service	24,372,295,363	15,115,615,812	(10,388,256,133)	(8,018,052,556)
Management fee	1,440,000,000	2,150,993,748	(1,584,000,000)	(2,366,093,123)
Purchase of fixed assets	-	118,094,403	-	-
<b>Vinh Hao Mineral Water Corporation</b>				
Sales of goods	36,471,500	1,213,067,402	-	834,643,095
Purchases of goods	195,937,259,989	151,529,434,461	(28,134,478,637)	(22,218,429,105)
Purchase of service	98,671,200,000	88,482,480,192	(34,246,994,866)	(18,016,844,285)
<b>Quang Ninh Mineral Water Corporation</b>				
Sales of goods	748,179,122	47,170,162	3,096,660	-
<b>Masan HD One Member Company Limited</b>				
Sales of goods	135,635,332	48,487,565	-	-
<b>Công ty Cổ phần Masan PQ (trước đây là Công ty Cổ phần Ma San PQ)</b>				
Sales of goods	5,186,821	1,865,050	-	2,051,555
<b>Masan MB One Member Company Limited</b>				
Sales of goods	98,666,428	55,803,832	2,240,000	3,225,596
Purchase of goods	-	5,982,184	-	-

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	Transaction value		Receivables/ (payables) as at	
	2018	2017	31/12/2018	1/1/2018
	VND	VND	VND	VND
<b>Masan Brewery Distribution Company Limited</b>				
Sales of goods	4,632,673	776,682,042	-	-
Purchases of goods	140,672,046	183,244,034	-	-
<b>Key management personnel</b>				
Remunerations	4,790,589,872	1,623,309,867	-	-

As at 31 December 2018 and 1 January 2018, the Group has current and term deposit accounts at Vietnam Technological and Commercial Joint Stock Bank at normal trading terms.

7 March 2019

Prepared by:

  
Nguyen Thi Ngoc Tram  
General Accountant

Approved by:

  
Phan Thi Thuy Hoa  
Chief Accountant

  
Nguyen Tan Ky  
Chief Executive Officer

