

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

Consolidated Financial Statements
for the three-month period ended
31 March 2017



VinaCafé Bien Hoa Joint Stock Company
Corporate Information

**Business Registration
Certificate No.**

3600261626

29 December 2004

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

Board of Directors

Pham Quang Vu	Chairman
Nguyen Hoang Yen	Member
Pham Dinh Toai	Member
Pham Hong Son	Member
Le Trung Thanh	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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated balance sheet as at 31 March 2017

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

	Code	Note	31/3/2017 VND	1/1/2017 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		1,866,787,189,066	2,323,304,183,347
Cash and cash equivalents	110	4	865,118,068,795	1,614,295,701,893
Cash	111		5,118,068,795	5,195,701,893
Cash equivalents	112		860,000,000,000	1,609,100,000,000
Short-term financial investments	120		698,500,000,000	445,000,000,000
Held-to-maturity investments	123	5	698,500,000,000	445,000,000,000
Accounts receivable – short-term	130		35,818,333,212	57,038,432,612
Accounts receivable from customers	131		22,304,776,682	47,312,797,128
Prepayments to suppliers	132		7,856,919,064	4,061,378,970
Other short-term receivables	136	6(a)	6,457,252,151	6,464,871,199
Allowance for doubtful debts	137		(800,614,685)	(800,614,685)
Inventories	140	7	255,144,929,406	192,958,056,825
Inventories	141		255,151,220,601	195,847,960,093
Allowance for inventories	149		(6,291,195)	(2,889,903,268)
Other current assets	150		12,205,857,653	14,011,992,017
Short-term prepaid expenses	151		4,285,992,822	5,886,117,913
Deductible value added tax	152		7,919,864,831	8,125,874,104

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 March 2017 (continued)

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

	Code	Note	31/3/2017 VND	1/1/2017 VND
Long-term assets (200 = 210 + 220 + 240 + 260)	200		799,272,807,773	816,955,643,678
Accounts receivable – long-term	210		281,481,200	787,337,200
Other long-term receivables	216	6(b)	281,481,200	787,337,200
Fixed assets	220		648,984,829,879	666,253,545,393
Tangible fixed assets	221	8	648,211,637,020	665,449,424,820
Cost	222		998,316,776,512	996,849,362,350
Accumulated depreciation	223		(350,105,139,492)	(331,399,937,530)
Intangible fixed assets	227	9	773,192,859	804,120,573
Cost	228		1,880,358,879	1,880,358,879
Accumulated amortisation	229		(1,107,166,020)	(1,076,238,306)
Long-term work in progress	240		71,902,392,271	69,877,443,965
Construction in progress	242	10	71,902,392,271	69,877,443,965
Other long-term assets	260		78,104,104,423	80,037,317,120
Long-term prepaid expenses	261	11	24,246,724,502	25,470,707,385
Deferred tax assets	262		28,945,948,480	28,975,775,617
Goodwill	269	12	24,911,431,441	25,590,834,118
TOTAL ASSETS (270 = 100 + 200)	270		2,666,059,996,839	3,140,259,827,025

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VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated balance sheet as at 31 March 2017 (continued)

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

	Code	Note	31/3/2017 VND	1/1/2017 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		553,698,390,264	990,163,024,175
Current liabilities	310		552,024,541,589	988,304,815,498
Accounts payable to suppliers	311	13	237,245,775,384	342,122,116,780
Advances from customers	312		16,684,160,844	6,600,908,908
Taxes payable to State Treasury	313		17,179,765,572	69,121,472,935
Payables to employees	314		889,215	
Accrued expenses	315	14	187,678,310,479	206,835,685,717
Other short-term payables	319	15(a)	2,905,575,162	2,212,809,257
Short-term borrowings	320	16	69,298,167,475	340,379,924,443
Bonus and welfare funds	322	17	21,031,897,458	21,031,897,458
Long-term liabilities	330		1,673,848,675	1,858,208,677
Other long-term payables	337	15(b)	1,673,848,675	1,858,208,677
EQUITY (400 = 410)	400		2,112,361,606,575	2,150,096,802,850
Owners' equity	410	18	2,112,361,606,575	2,150,096,802,850
Share capital	411	19	265,791,350,000	265,791,350,000
Share premium	412	19	29,974,241,968	29,974,241,968
Investment and development fund	418		213,510,848,947	213,510,848,947
Undistributed profits after tax	421		1,605,512,176,399	1,642,561,068,149
Undistributed profits after tax brought forward	421a		1,642,561,068,149	1,259,419,681,720
(Loss)/undistributed profit after tax for the current period	421b		(37,048,891,750)	383,141,386,429
Non-controlling interests	429		(2,427,010,739)	(1,740,706,214)
TOTAL RESOURCES (440 = 300 + 400)	440		2,666,059,996,839	3,140,259,827,025

28 April 2017

Prepared by:



Hong Do Nguyen Thao
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 three-month period ended 31 March 2017

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

	Code	Note	Quarter I		Year to date	
			2017 VND	2016 VND	2017 VND	2016 VND
Revenue from sales of goods	01	21	427,274,349,331	476,246,227,889	427,274,349,331	476,246,227,889
Revenue deductions	02	21	7,868,977,722	32,107,538,866	7,868,977,722	32,107,538,866
Net revenue (10 = 01 - 02)	10	21	419,405,371,609	444,138,689,023	419,405,371,609	444,138,689,023
Cost of sales	11	22	278,838,273,545	316,863,801,263	278,838,273,545	316,863,801,263
Gross profit (20 = 10 - 11)	20		140,567,098,064	127,274,887,760	140,567,098,064	127,274,887,760
Financial income	21	23	19,432,297,085	14,579,666,111	19,432,297,085	14,579,666,111
Financial expenses	22	24	1,652,127,110	2,801,834,605	1,652,127,110	2,801,834,605
<i>In which: Interest expense</i>	23		1,250,069,253	2,017,582,222	1,250,069,253	2,017,582,222
Selling expenses	25		167,439,323,598	122,991,773,943	167,439,323,598	122,991,773,943
General and administration expenses	26		28,691,693,721	15,645,232,536	28,691,693,721	15,645,232,536
Net (loss)/operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		(37,783,749,280)	415,712,787	(37,783,749,280)	415,712,787
Other income	31		142,796,786	5,889,025	142,796,786	5,889,025
Other expenses	32		64,416,644	526,509,834	64,416,644	526,509,834
Results of other activities (40 = 31 - 32)	40		78,380,142	(520,620,809)	78,380,142	(520,620,809)
Accounting loss before tax (50 = 30 + 40)	50		(37,705,369,138)	(104,908,022)	(37,705,369,138)	(104,908,022)
Income tax expense – current	51	34	-	360,811,733	-	360,811,733
Income tax benefit – deferred	52	34	29,827,137	1,600,341,752	29,827,137	1,600,341,752
Net loss after tax (60 = 50 - 51 - 52) (carried forward to next page)	60		(37,735,196,275)	(2,066,061,507)	(37,735,196,275)	(2,066,061,507)

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 three-month period ended 31 March 2017 (continued)

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

	Code	Note	Quarter I		Year to date	
			2017 VND	2016 VND	2017 VND	2016 VND
Net loss after tax (brought forward from previous page)	60		(37,735,196,275)	(2,066,061,507)	(37,735,196,275)	(2,066,061,507)
Attributable to:						
Equity holders of the Company	61		(37,048,891,750)	(2,066,061,507)	(37,048,891,750)	(2,066,061,507)
Non-controlling interests	62		(686,304,525)	-	(686,304,525)	-
Earnings per share						
Basic earnings per share	70	25	(1,394)	(78)	(1,394)	(78)

28 April 2017

Prepared by:



Hong Do Nguyen Thao
 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 three-month period ended 31 March 2017
(Indirect method)

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

	Code	For the three-month period ended	
		31/3/2017 VND	31/3/2016 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounting loss before tax	01	(37,705,369,138)	(104,908,022)
Adjustments for			
Depreciation and amortisation	02	19,781,285,343	14,784,491,602
Allowances and provisions	03	(32,129,337)	(48,032,644)
Exchange gains arising from revaluation of monetary items dominated in foreign currencies	04	(58,771,021)	(190,059,584)
Profit from investing activities	05	(18,917,611,048)	(14,369,491,356)
Interest expense	06	1,250,069,253	2,017,582,222
Operating (loss)/profit before changes in working capital	08	(35,682,525,948)	2,089,582,218
Change in receivables and other current assets	09	21,897,680,406	12,720,602,351
Change in inventories	10	(62,154,743,244)	(51,108,594,836)
Change in payables and other liabilities	11	(146,095,918,053)	(136,214,338,740)
Change in prepaid expenses	12	3,472,556,884	(620,301,240)
		(218,562,949,955)	(173,133,050,247)
Interest paid	14	(1,615,166,107)	(2,280,188,662)
Corporate income tax paid	15	(20,446,952,111)	(12,160,811,733)
Other payments for operating activities	17	-	(494,786,050)
Net cash flows from operating activities	20	(240,625,068,173)	(188,068,836,692)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for additions to fixed assets and other long-term assets	21	(3,244,684,354)	(9,950,683,360)
Proceeds from disposals of fixed assets	22	6,038,143	4,945,455
Placement of term deposits at banks	23	(698,500,000,000)	(2,255,000,000,000)
Withdrawal of term deposits at banks	24	445,000,000,000	1,482,500,000,000
Receipts of interest	27	19,267,838,254	11,347,129,234
Net cash flows from investing activities	30	(237,470,807,957)	(771,098,608,671)

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 three-month period ended 31 March 2017
(Indirect method - continued)

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

	Code	For the three-month period ended	
		31/3/2017 VND	31/3/2016 VND
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	33	190,027,480,240	291,784,968,578
Payments to settle loan principals	34	(461,109,237,208)	(218,843,735,909)
Net cash flows from financing activities	40	(271,081,756,968)	72,941,232,669
Net cash flows during the period (50 = 20 + 30 + 40)	50	(749,177,633,098)	(886,226,212,694)
Cash and cash equivalents at the beginning of the period	60	1,614,295,701,893	1,425,460,022,439
Effect of exchange rate fluctuations on cash and cash equivalents	61	-	254,204,614
Cash and cash equivalents at the end of the period (70 = 50 + 60 + 61)	70	865,118,068,795	539,488,014,359

28 April 2017

Prepared by:



Hong Do Nguyen Thao
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 three-month period ended 31
March 2017

Form B 09a – 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 period ended 31 March 2017 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 March 2017, the Group has 1 subsidiary (1/1/2017: 1 subsidiary), detail information of the subsidiary are described as follows:

Name	Principal activities	Address	Percentage of economic interests and voting rights	
			31/3/2017	1/1/2017
CDN Production Trading Corporation	Beverage manufacturing and trading	10 Noi Bo Hung Gia 2, Tan Phong Ward, District 7, Ho Chi Minh City, Vietnam	85%	85%

As at 31 March 2017, the Group had 410 employees (1/1/2017: 423 employees).

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the three-month period ended 31 March 2017 (continued)

Form B 09a – DN/HN
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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. These consolidated financial statements are prepared for the three-month period ended 31 March 2017.

(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 2017 were brought forward from the audited figures as at 31 December 2016.

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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the three-month period ended 31 March 2017 (continued)

Form B 09a – DN/HN
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(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 period 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.

(c) Cash and cash equivalents

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

(d) Investments

Held-to-maturity investments

Held-to-maturity investments are those that the Boards of Management of the Company and its subsidiary have the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at banks. These investments are stated at cost less allowance for doubtful debts.

(e) Accounts receivables from customers and other receivables

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the three-month period ended 31 March 2017 (continued)

Form B 09a – DN/HN
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(f) Inventories

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

The Group applies the perpetual method of accounting for inventories.

(g) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. 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 – 15 years
▪ office equipment	4 – 6 years
▪ motor vehicles	3 – 10 years

(h) 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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the three-month period ended 31 March 2017 (continued)

Form B 09a – DN/HN
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(i) Construction in progress

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

(j) 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 term of the lease of 50 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.

(k) Goodwill

Goodwill arising 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.

(l) Accounts payable to suppliers and other payables

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

(m) 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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the three-month period ended 31 March 2017 (continued)

Form B 09a – DN/HN
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(n) Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of tax effects, 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.

(o) Taxation

Income tax on the consolidated profit or loss for the period 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 period using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous period.

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.

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.

(p) 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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the three-month period ended 31 March 2017 (continued)

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

(q) Financial income and financial expenses

(i) Financial income

Financial income comprises interest income from deposits at banks 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 comprise interest expenses on borrowings and foreign exchange losses.

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

(r) Operating lease payments

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

(s) 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 annual accounting period.

(t) 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.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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4. Cash and cash equivalents

	31/3/2017 VND	1/1/2017 VND
Cash on hand	9,454,584	66,338,875
Cash at banks	5,108,614,211	5,129,363,018
Cash equivalents	860,000,000,000	1,609,100,000,000
	<hr/> 865,118,068,795	<hr/> 1,614,295,701,893

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

5. Held-to-maturity investments

	31/3/2017 VND	1/1/2017 VND
Term deposits at banks	698,500,000,000	445,000,000,000
	<hr/> 698,500,000,000	<hr/> 445,000,000,000

Held-to-maturity investments represented term deposits at banks with remaining terms to maturity of twelve months or less from the end of the annual accounting period

6. Other receivables

(a) Other short-term receivables

	31/3/2017 VND	1/1/2017 VND
Accrued interest receivable from deposits at banks	5,281,276,388	5,589,688,889
Short-term deposits	1,045,196,000	770,340,000
Others	130,779,763	104,842,310
	<hr/> 6,457,252,151	<hr/> 6,464,871,199

(b) Other long-term receivables

	31/3/2017 VND	1/1/2017 VND
Long-term deposits	281,481,200	787,337,200
	<hr/> 281,481,200	<hr/> 787,337,200

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7. Inventories

	31/3/2017		1/1/2017	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	1,080,113,731	-	8,995,171,080	-
Raw materials	117,125,338,459	(5,500,958)	77,283,049,615	(1,906,172,751)
Tools and supplies	9,004,947,257	-	9,303,833,294	-
Finished goods	124,498,702,883	(790,237)	99,386,124,065	(983,730,517)
Merchandise inventories	3,442,118,271	-	879,782,039	-
	255,151,220,601	(6,291,195)	195,847,960,093	(2,889,903,268)

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

	For the three-month period ended	
	31/3/2017 VND	31/3/2016 VND
Opening balance	2,889,903,268	6,617,541,636
Allowance utilised during the period	(2,851,482,736)	(6,148,937,200)
Written back	(32,129,337)	-
Closing balance	6,291,195	468,604,436

Included in inventories at 31 March 2017 was VND6 million (1/1/2017: VND2,890 million) of slow-moving inventories.

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	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
Cost					
Opening balance	203,621,464,636	785,238,921,190	3,015,921,125	4,973,055,399	996,849,362,350
Transfer from construction in progress	-	1,881,020,000	-	-	1,881,020,000
Disposals	-	(413,605,838)	-	-	(413,605,838)
Closing balance	203,621,464,636	786,706,335,352	3,015,921,125	4,973,055,399	998,316,776,512
Accumulated depreciation					
Opening balance	39,451,334,717	286,056,934,911	2,533,223,252	3,358,444,650	331,399,937,530
Charge for the period	2,775,772,293	16,068,287,045	113,939,146	112,956,468	19,070,954,952
Disposals	-	(365,752,990)	-	-	(365,752,990)
Closing balance	42,227,107,010	301,759,468,966	2,647,162,398	3,471,401,118	350,105,139,492
Net book value					
Opening balance	164,170,129,919	499,181,986,279	482,697,873	1,614,610,749	665,449,424,820
Closing balance	161,394,357,626	484,946,866,386	368,758,727	1,501,654,281	648,211,637,020

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9. Intangible fixed assets

	Software VND	Brand name VND	Total VND
Cost			
Opening balance and closing balance	1,004,073,640	876,285,239	1,880,358,879
Accumulated amortisation			
Opening balance	1,004,073,640	72,164,666	1,076,238,306
Charge for the period	-	30,927,714	30,927,714
Closing balance	1,004,073,640	103,092,380	1,107,166,020
Net book value			
Opening balance	-	804,120,573	804,120,573
Closing balance	-	773,192,859	773,192,859

10. Construction in progress

For the three-month period ended	31/3/2017 VND
Opening balance	69,877,443,965
Additions during the period	4,554,417,216
Transfer to tangible fixed assets	(1,881,020,000)
Transfer to long-term prepaid expenses	(648,448,910)
Closing balance	71,902,392,271

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11. Long-term prepaid expenses

	Prepaid land costs VND	Tools and supplies VND	Total VND
Opening balance	15,305,945,549	10,164,761,836	25,470,707,385
Additions during the period	-	194,944,661	194,944,661
Transfer from construction in progress	-	648,448,910	648,448,910
Amortisation for the period	(100,697,010)	(1,966,679,444)	(2,067,376,454)
Closing balance	15,205,248,539	9,041,475,963	24,246,724,502

12. Goodwill

For the three-month period ended	31/3/2017 VND
Cost	
Opening balance and closing balance	27,176,107,031
Accumulated amortisation	
Opening balance	1,585,272,913
Charge for the period	679,402,677
Closing balance	2,264,675,590
Net book value	
Opening balance	25,590,834,118
Closing balance	24,911,431,441

13. Taxes payable to State Treasury

	31/3/2017 VND	1/1/2017 VND
Value added tax	2,912,568,357	34,424,926,330
Corporate income tax	13,990,769,645	34,437,721,756
Personal income tax	276,427,570	258,824,849
Total	17,179,765,572	69,121,472,935

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14. Accrued expenses

	31/3/2017	1/1/2017
	VND	VND
Advertising and promotion expenses	107,176,128,613	158,942,644,197
Logistics expenses	12,378,816,916	12,011,662,043
Sales discounts	3,860,108,180	7,739,728,317
Research and development expenses	5,798,624,431	6,935,604,249
Bonus and 13 th month salary	3,052,659,493	9,019,082,037
Purchases not yet received invoices	9,002,967,733	5,800,034,813
Exhibition expenses	3,359,420,379	1,210,431,934
Construction in progress	1,742,415,220	157,000,000
Accrued interest expenses	46,337,101	411,433,955
Management service charge payable to related parties	36,632,556,325	-
Others	4,628,276,088	4,608,064,172
	<hr/>	<hr/>
	187,678,310,479	206,835,685,717
	<hr/>	<hr/>

15. Other payables

(a) Other short-term payables

	31/3/2017	1/1/2017
	VND	VND
Short-term deposits received	1,205,870,868	1,115,638,268
Social insurance, health insurance, unemployment insurance and trade union fees	185,573,774	253,685,303
Others	1,514,130,520	843,485,686
	<hr/>	<hr/>
	2,905,575,162	2,212,809,257
	<hr/>	<hr/>

(b) Other long-term payables

	31/3/2017	1/1/2017
	VND	VND
Long-term deposits received	1,673,848,675	1,858,208,677
	<hr/>	<hr/>

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16. Short term borrowings

	31/3/2017		1/1/2017	
	Carrying amount VND	Amount within repayment capacity VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	69,298,167,475	69,298,167,475	340,379,924,443	340,379,924,443

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

	Currency	Annual interest rate	31/3/2017 VND	1/1/2017 VND
Unsecured bank loan	VND	4% – 5%	69,298,167,475	340,379,924,443

17. Bonus and welfare funds

These funds are established by appropriating from profit after tax as approved by shareholders at the Annual General Meeting of Shareholders of the Company. These funds are used to pay bonus and welfare to the Company's employees in accordance with the Company's bonus and welfare policies. Movements of bonus and welfare fund during the period were as follows:

	For the three-month period ended	
	31/3/2017 VND	31/3/2016 VND
Opening balance and closing balance	21,031,897,458	21,031,897,458

There was no bonus and welfare funds appropriated from profit after tax at the Annual General Meetings of the Company's shareholders on 20 April 2016 and 21 April 2015.

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18. Changes in owners' equity

	Share capital VND	Share premium VND	Investment and development fund (*) VND	Undistributed profits after tax VND	Non-controlling interests VND	Total owners' equity VND
Balance at 1 January 2016	265,791,350,000	29,974,241,968	213,510,848,947	1,259,419,681,720	-	1,768,696,122,635
Net loss for the period	-	-	-	(2,066,061,507)	-	(2,066,061,507)
Board of Directors fee	-	-	-	(494,786,050)	-	(494,786,050)
Balance at 31 March 2016	265,791,350,000	29,974,241,968	213,510,848,947	1,256,858,834,163	-	1,766,135,275,078
Balance at 1 January 2017	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 loss for the period	-	-	-	(37,048,891,750)	(686,304,525)	(37,735,196,275)
Balance at 31 March 2017	265,791,350,000	29,974,241,968	213,510,848,947	1,605,512,176,399	(2,427,010,739)	2,112,361,606,575

(*) Investment and development fund was appropriated from undistributed profits 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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19. Share capital and share premium

The Company's authorised and issued share capitals are:

	31/3/2017		1/1/2017	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital				
Ordinary shares	26,579,135	265,791,350,000	26,579,135	265,791,350,000
Shares in circulation				
Ordinary shares	26,579,135	265,791,350,000	26,579,135	265,791,350,000
Share premium	-	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.

There were no movements in share capital during the period.

20. Off balance sheet items

Foreign currency

	31/3/2017		1/1/2017	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	65,693	1,490,581,729	161,941	3,679,293,840

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21. Revenue from sales of goods

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

Net revenue comprised:

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Total revenue	427,274,349,331	476,246,227,889
Less revenue deductions		
▪ Sales discounts	5,084,544,101	15,590,196,361
▪ Sales returns	2,784,433,621	16,517,342,505
	<hr/> 7,868,977,722	<hr/> 32,107,538,866
Net revenue	<hr/> 419,405,371,609	<hr/> 444,138,689,023

22. Cost of sales

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Total cost of sales		
▪ Goods sold	278,870,402,882	316,863,801,263
▪ Allowance for inventories	(32,129,337)	-
	<hr/> 278,838,273,545	<hr/> 316,863,801,263

23. Financial income

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Interest income from deposits at banks	18,959,425,753	14,364,545,901
Foreign exchange gains	472,871,332	215,120,210
	<hr/> 19,432,297,085	<hr/> 14,579,666,111

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24. Financial expenses

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Interest expenses	1,250,069,253	2,017,582,222
Foreign exchange losses	402,057,857	784,252,383
	1,652,127,110	2,801,834,605

25. Earnings per share

The calculation of basic earnings per share for the three-month period ended 31 March 2017 was based on the consolidated profit or loss attributable to ordinary shareholders of the Company, after deducting the amounts appropriated to bonus and welfare fund on prospective basis, and a weighted average number of ordinary shares outstanding calculated as follows:

(i) Net loss attributable to ordinary shareholders

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Net loss attributable to ordinary shareholders	(37,048,891,750)	(2,066,061,507)

(ii) Weighted average number of ordinary shares

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Weighted average number of ordinary shares at the end of the period	26,579,135	26,579,135

(iii) Basic earnings per share

	For the three-month period ended	
	31/3/2017	31/3/2016
	VND	VND
Basic earnings per share	(1,394)	(78)

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26. Significant transactions with related parties

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

	Transaction value		Receivables/(payables)	
	For the three-month period ended 31/3/2017 VND	31/3/2016 VND	as at 31/3/2017 VND	1/1/2017 VND
Parent of the parent company				
Masan Consumer Corporation				
Purchases of goods	6,292,452,849	10,914,969,879	(3,637,561,019)	(6,080,686,267)
Sales of goods	59,974,682	-	-	-
Management service charge	36,094,807,888	21,800,817,549	(141,654,319,954)	(105,559,512,066)
Related parties				
Masan Industrial One Member Company Limited				
Sales of goods	116,991,618	11,933,600	13,998,600	1,399,860
Purchases of goods/ (Good return)	38,349,443	(60,267,500)	(362,450,457)	(2,002,149,996)
Purchase of service	907,128,000	907,128,000	-	-
Management service charge	537,748,437	707,056,601	(537,748,437)	-
Vinh Hao Mineral Water Corporation				
Sales of goods	1,020,603,772	1,051,621,380	-	-
Purchases of goods	42,493,301,081	30,410,203,417	(41,555,061,197)	(17,639,556,739)
Purchase of service	21,438,822,672	12,890,851,200	-	(20,992,292,640)

27. Explanation for fluctuation in net profit after tax

Net profit after tax for the three-month period ended 31 March 2017 decreased by VND35.6 billion mainly due to the increase in Selling expenses of VND44.4 billion equivalent to 36%. During the first quarter of 2017, selling expenses increased due to higher advertising and promotional expenses with an aim to increase competitive advantage and ensure availability of products leading up to the Tet holiday.

28 April 2017

Prepared by:



Hong Do Nguyen Thao
General Accountant

Approved by:



Phan Thi Thuy Hoa
Chief Accountant



Nguyen Tan Ky
Chief Executive Officer