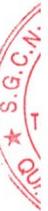




KPMG'S COPY

**VinaCafé Bien Hoa Joint Stock Company**

Separate Financial Statements for  
the year ended 31 December 2016



**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
Le Hung Dung	Deputy Chief Executive Officer (until 19 April 2016)
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 separate financial statements of the Company for the year ended 31 December 2016.

The Company’s Board of Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements set out on pages 5 to 39 give a true and fair view of the separate financial position of the Company as at 31 December 2016, and of its separate results of operation and its separate 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 Company 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 the accompanying separate financial statements for issue.



On behalf of the Board of Management

Nguyen Tan Ky  
*Chief Executive Officer*

Dong Nai Province, 15 MAR 2017



KPMG Limited Branch  
10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street, Ben Nghe Ward  
District 1, Ho Chi Minh City, Vietnam  
+84-8 3821 9266 | kpmg.com.vn

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying separate financial statements of VinaCafé Bien Hoa Joint Stock Company (“the Company”), which comprise the separate balance sheet as at 31 December 2016, the separate 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 **15 MAR 2017** as set out on pages 5 to 39.

### **Management’s Responsibility**

The Company’s Board of Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate 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 separate financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the separate 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 separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company’s Board of Management, as well as evaluating the overall presentation of the separate 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 separate financial statements give a true and fair view, in all material respects, of the separate financial position of VinaCafé Bien Hoa Joint Stock Company as at 31 December 2016 and of its separate results of operation and its separate 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.: 16-01-795



  
Chong Kwang Puay  
Practicing Auditor Registration  
Certificate No. 0864-2013-007-1  
*Deputy General Director*



Chang Hung-Chun  
Practicing Auditor Registration  
Certificate No. 0863-2013-007-1

Ho Chi Minh City, **15 MAR 2017**

**VinaCafé Bien Hoa Joint Stock Company**  
**Separate balance sheet as at 31 December 2016**

**Form B 01 – DN**  
*(Issued under Circular No. 200/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2016 VND	1/1/2016 VND
<b>ASSETS</b>				
<b>Current assets</b> (100 = 110 + 120 + 130 + 140 + 150)	<b>100</b>		<b>2,301,453,842,958</b>	<b>1,774,965,379,886</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>1,610,438,753,970</b>	<b>1,425,460,022,439</b>
Cash	111		5,038,753,970	27,960,022,439
Cash equivalents	112		1,605,400,000,000	1,397,500,000,000
<b>Short-term financial investments</b>	<b>120</b>		<b>445,000,000,000</b>	<b>-</b>
Held-to-maturity investments	123	5(a)	445,000,000,000	-
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>53,080,410,777</b>	<b>57,467,600,540</b>
Accounts receivable from customers	131		47,311,508,637	45,236,608,603
Prepayments to suppliers	132		284,092,400	5,395,710,480
Other short-term receivables	136	6(a)	6,285,424,425	7,683,928,786
Allowance for doubtful debts	137		(800,614,685)	(848,647,329)
<b>Inventories</b>	<b>140</b>	<b>7</b>	<b>187,616,263,632</b>	<b>291,532,492,409</b>
Inventories	141		190,503,114,348	298,150,034,045
Allowance for inventories	149		(2,886,850,716)	(6,617,541,636)
<b>Other current assets</b>	<b>150</b>		<b>5,318,414,579</b>	<b>505,264,498</b>
Short-term prepaid expenses	151		5,318,414,579	505,264,498

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

**VinaCafé Bien Hoa Joint Stock Company**  
**Separate balance sheet as at 31 December 2016 (continued)**

**Form B 01 – DN**  
*(Issued under Circular No. 200/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2016 VND	1/1/2016 VND
<b>Long-term assets</b> (200 = 210 + 220 + 240 + 250 + 260)	<b>200</b>		<b>847,692,598,331</b>	<b>754,495,074,917</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>101,913,612,201</b>	<b>510,856,000</b>
Long-term loans receivable	215	8	98,000,000,000	-
Other long-term receivables	216	6(b)	3,913,612,201	510,856,000
<b>Fixed assets</b>	<b>220</b>		<b>658,591,496,693</b>	<b>558,555,537,339</b>
Tangible fixed assets	221	9	657,787,376,120	558,471,864,530
<i>Cost</i>	222		988,717,247,905	827,362,931,047
<i>Accumulated depreciation</i>	223		(330,929,871,785)	(268,891,066,517)
Intangible fixed assets	227	10	804,120,573	83,672,809
<i>Cost</i>	228		1,880,358,879	1,004,073,640
<i>Accumulated amortisation</i>	229		(1,076,238,306)	(920,400,831)
<b>Long-term work in progress</b>	<b>240</b>		<b>3,373,536,764</b>	<b>149,981,030,413</b>
Construction in progress	242	11	3,373,536,764	149,981,030,413
<b>Long-term financial investments</b>	<b>250</b>		<b>35,000,000,000</b>	<b>-</b>
Investment in a subsidiary	251	5(b)	35,000,000,000	-
<b>Other long-term assets</b>	<b>260</b>		<b>48,813,952,673</b>	<b>45,447,651,165</b>
Long-term prepaid expenses	261	12	20,094,105,441	23,077,008,589
Deferred tax assets	262	13	28,719,847,232	22,370,642,576
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>3,149,146,441,289</b>	<b>2,529,460,454,803</b>

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

**VinaCafé Bien Hoa Joint Stock Company**  
**Separate balance sheet as at 31 December 2016 (continued)**

**Form B 01- DN**  
*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2016 VND	1/1/2016 VND
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>976,775,277,196</b>	<b>760,764,332,168</b>
<b>Current liabilities</b>	<b>310</b>		<b>974,917,068,519</b>	<b>695,198,683,483</b>
Accounts payable to suppliers	311	14	334,772,064,929	240,137,845,202
Advances from customers	312		6,600,908,908	13,235,282,507
Taxes payable to State Treasury	313	15	68,969,408,877	42,659,380,022
Accrued expenses	315	16	201,548,229,028	182,306,786,197
Other short-term payables	319	17(a)	1,614,634,876	1,731,364,837
Short-term borrowings	320	18(a)	340,379,924,443	194,096,127,260
Bonus and welfare funds	322	19	21,031,897,458	21,031,897,458
<b>Long-term liabilities</b>	<b>330</b>		<b>1,858,208,677</b>	<b>65,565,648,685</b>
Other long-term payables	337	17(b)	1,858,208,677	2,565,648,685
Long-term borrowings	338	18(b)	-	63,000,000,000
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>2,172,371,164,093</b>	<b>1,768,696,122,635</b>
<b>Owners' equity</b>	<b>410</b>	<b>20</b>	<b>2,172,371,164,093</b>	<b>1,768,696,122,635</b>
Share capital	411	21	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		1,663,094,723,178	1,259,419,681,720
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>3,149,146,441,289</b>	<b>2,529,460,454,803</b>

15 MAR 2017

Prepared by:



Nguyen Dieu Linh  
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 separate financial statements*

**VinaCafé Bien Hoa Joint Stock Company**  
**Separate statement of income for the year ended 31 December 2016**

**Form B 02 – DN**  
*(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2016 VND	2015 VND
Revenue from sales of goods and provision of services	01	24	3,391,881,860,579	3,094,839,016,639
Revenue deductions	02	24	84,163,946,546	95,169,101,887
Net revenue (10 = 01 - 02)	10	24	3,307,717,914,033	2,999,669,914,752
Cost of sales	11	25	2,110,313,469,649	1,984,250,548,466
Gross profit (20 = 10 - 11)	20		1,197,404,444,384	1,015,419,366,286
Financial income	21	26	74,895,177,462	48,190,475,485
Financial expenses	22	27	12,886,087,344	24,918,789,137
<i>In which: Interest expense</i>	23		12,475,029,387	11,788,099,567
Selling expenses	25	28	695,447,773,351	650,951,385,998
General and administration expenses	26	29	84,561,177,882	77,199,456,576
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		479,404,583,269	310,540,210,060
Other income	31		419,297,095	782,391,402
Other expenses	32		618,862,739	594,924,862
Results of other activities (40 = 31 - 32)	40		(199,565,644)	187,466,540
Accounting profit before tax (50 = 30 + 40)	50		479,205,017,625	310,727,676,600
Income tax expense – current	51	31	80,950,428,823	26,031,146,608
Income tax benefit – deferred	52	31	(6,349,204,656)	(10,654,221,739)
Net profit after tax (60 = 50 - 51 - 52)	60		404,603,793,458	295,350,751,731

15 MAR 2017

Prepared by:



Nguyen Dieu Linh  
General Accountant



Phan Thi Thuy Hoa  
Chief Accountant

Approved by:



Nguyen Tan Ky  
Chief Executive Officer

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

**VinaCafé Bien Hoa Joint Stock Company**  
**Separate statement of cash flows for the year ended 31 December 2016**  
**(Indirect method)**

**Form B 03 – DN**  
*(Issued under Circular No. 200/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

	Code	2016 VND	2015 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Accounting profit before tax</b>	<b>01</b>	<b>479,205,017,625</b>	<b>310,727,676,600</b>
<b>Adjustments for</b>			
Depreciation and amortisation	02	63,307,747,414	60,800,048,266
Allowances and provisions	03	13,970,525,864	12,109,000,983
Exchange gains arising from revaluation of monetary items dominated in foreign currencies	04	(48,940,406)	(769,013,774)
Profit from investing activities	05	(71,305,443,495)	(46,022,593,571)
Interest expense	06	12,475,029,387	11,788,099,567
<b>Operating profit before changes in working capital</b>	<b>08</b>	<b>497,603,936,389</b>	<b>348,633,218,071</b>
Change in receivables and other assets	09	4,285,581,898	(6,411,892,119)
Change in inventories	10	89,897,670,269	31,374,697,136
Change in payables and other liabilities	11	114,977,708,598	78,632,768,393
Change in prepaid expenses	12	1,891,915,482	3,727,541,438
		<b>708,656,812,636</b>	<b>455,956,332,919</b>
Interest paid	14	(12,420,427,579)	(12,948,472,020)
Corporate income tax paid	15	(60,113,655,544)	(10,324,651,318)
Other payments for operating activities	17	(928,752,000)	(6,304,490,581)
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>635,193,977,513</b>	<b>426,378,719,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets and other long-term assets	21	(20,754,049,949)	(144,312,771,283)
Proceeds from disposals of fixed assets	22	375,833,250	89,292,182
Loans provided	23	(98,000,000,000)	-
Placement of term deposits at banks	23	(8,810,800,000,000)	(6,161,500,000,000)
Withdrawal of term deposits at banks	24	8,365,800,000,000	6,161,500,000,000
Payment for investment in a subsidiary	25	(35,000,000,000)	-
Receipts of interest	27	64,879,173,534	47,967,431,951
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>(533,499,043,165)</b>	<b>(96,256,047,150)</b>

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

**VinaCafé Bien Hoa Joint Stock Company**  
**Separate statement of cash flows for the year ended 31 December 2016**  
**(Indirect method - continued)**

**Form B 03 – DN**  
*(Issued under Circulars No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)*

	Code	2016 VND	2015 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	33	1,283,284,091,120	1,652,171,345,571
Payments to settle loan principals	34	(1,200,000,293,937)	(1,928,081,697,174)
<b>Net cash flows from financing activities</b>	<b>40</b>	<b>83,283,797,183</b>	<b>(275,910,351,603)</b>
<b>Net cash flows during the year</b> (50 = 20 + 30 + 40)	<b>50</b>	<b>184,978,731,531</b>	<b>54,212,320,247</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>1,425,460,022,439</b>	<b>1,370,410,246,815</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>61</b>	-	<b>837,455,377</b>
<b>Cash and cash equivalents at the end of the year</b> (70 = 50 + 60 + 61) (Note 4)	<b>70</b>	<b>1,610,438,753,970</b>	<b>1,425,460,022,439</b>

Prepared by:



Nguyen Dieu Linh  
*General Accountant*

15 MAR 2017



Phan Thi Thuy Hoa  
*Chief Accountant*

Approved by:




Nguyen Tan Ky  
*Chief Executive Officer*

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

**VinaCafé Bien Hoa Joint Stock Company**  
**Notes to the separate financial statements for the year ended 31 December 2016**

**Form B 09 – DN**  
*(Issued under Circular No. 200/2014/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 separate financial statements.

**1. Reporting entity**

**(a) Ownership structure**

VinaCafé Bien Hoa Joint Stock Company (“the Company”) is a joint stock company incorporated in Vietnam.

**(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) Company structure**

As at 31 December 2016, the Company had 386 employees (1/1/2016: 406 employees).

As at 31 December 2016, the Company had one subsidiary (1/1/2016: Nil) as listed in Note 5(b).

**VinaCafé Bien Hoa Joint Stock Company**  
**Notes to the separate financial statements for the year ended 31 December 2016**  
**(continued)**

**Form B 09 – DN**  
*(Issued under Circular No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

**2. Basis of preparation**

**(a) Statement of compliance**

These separate 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. The Company prepares and issues its consolidated financial statements separately. For a comprehensive understanding of the Company's consolidated financial position, its consolidated results of operation and its consolidated cash flows, these separate financial statements should be read in conjunction with the consolidated financial statements.

**(b) Basis of measurement**

These separate financial statements, except for the separate statement of cash flows, are prepared on the accrual basis using the historical cost concept. The separate statement of cash flows are prepared using the indirect method.

**(c) Annual accounting period**

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

**(d) Accounting and presentation currency**

The Company'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 2016 were brought forward from the audited figures as at 31 December 2015.

**VinaCafé Bien Hoa Joint Stock Company**  
**Notes to the separate financial statements for the year ended 31 December 2016**  
**(continued)**

**Form B 09 – DN**  
*(Issued under Circulars No. 200/2014/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 Company in the preparation of these separate financial statements.

#### **(a) 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 most frequently conduct transactions.

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

#### **(b) 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.

#### **(c) Investments**

##### **(i) *Held-to-maturity investments***

Held-to-maturity investments are those that the Company's Board of Management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at banks. These investment are stated at cost less allowance for doubtful debts.

##### **(ii) *Investment in subsidiary***

For the purpose of these separate financial statements, investment in subsidiary is initially recognised at cost which includes purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, the investment is stated at cost less allowance for diminution in value. An allowance is made for diminution in investment value if the investee has suffered a loss, except where such a loss was anticipated by the Company's Board of Management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

**VinaCafé Bien Hoa Joint Stock Company**  
**Notes to the separate financial statements for the year ended 31 December 2016**  
**(continued)**

**Form B 09 – DN**  
*(Issued under Circulars No. 200/2014/TT-BTC*  
*dated 22 December 2014 of the Ministry of Finance)*

**(d) Accounts receivable 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 selling expenses.

The Company 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 separate 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

**VinaCafé Bien Hoa Joint Stock Company**  
**Notes to the separate financial statements for the year ended 31 December 2016**  
**(continued)**

**Form B 09 – DN**  
*(Issued under Circulars No. 200/2014/TT-BTC  
dated 22 December 2014 of the Ministry of Finance)*

**(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 period 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 Company 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 separate 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 Company 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) Accounts payable to suppliers and other payables**

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

**VinaCafé Bien Hoa Joint Stock Company**  
**Notes to the separate financial statements for the year ended 31 December 2016**  
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**(k) Provisions**

A provision is recognised if, as a result of a past event, the Company 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.

**(l) Derivative financial instruments**

The Company holds derivative financial instruments to hedge its exposures to the risk of raw material price fluctuation. Derivative financial instruments are recorded in the separate balance sheet at cost on the date when a derivative contract is entered into. Realised gains or losses from derivatives are recognised as financial income or financial expenses in the separate statement of income.

**(m) 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.

**(n) Taxation**

Income tax on the separate profit or loss for the year comprises current and deferred tax. Income tax is recognised in the separate 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 balance sheet date, 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.

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.

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**(o) Revenue**

**(i) Sales of goods**

Revenue from sales of goods is recognised in the separate 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) Provision of services**

Revenue from provision of services is recognised in the separate statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue from provision of services is recognised if there are significant uncertainties regarding recovery of the consideration due.

**(iii) Rental income**

Rental income from leased property is recognised in the separate 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 loans, foreign exchange gains and realised gains from derivative financial instruments.

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, foreign exchange losses and realised losses from derivative financial instruments.

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 period of construction are capitalised as part of the cost of the assets concerned.

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**(q) Operating lease payments**

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

**(r) Related parties**

Parties are considered to be related to the Company 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 Company 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.

**4. Cash and cash equivalents**

	31/12/2016 VND	1/1/2016 VND
Cash on hand	66,338,875	119,095,032
Cash at banks	4,972,415,095	27,840,927,407
Cash equivalents	1,605,400,000,000	1,397,500,000,000
	<hr/>	<hr/>
Cash and cash equivalents in the separate statement of cash flows	1,610,438,753,970	1,425,460,022,439
	<hr/>	<hr/>

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

**5. Investments**

**(a) Held-to-maturity investments – short-term**

	31/12/2016 VND	1/1/2016 VND
Term deposits at banks	445,000,000,000	-
	<hr/>	<hr/>

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.

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**(b) Investment in a subsidiary**

	31/12/2016		1/1/2016	
	Number of shares	% of economic interests and voting rights	Number of shares	% of economic interests and voting rights
CDN Production Trading Corporation	2,524,500	85%	-	-
				Cost VND
				35,000,000,000

The Company have not determined the fair value of investment in a subsidiary for disclosure in the separate financial statements because information about its market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair value of the investment in a subsidiary may differ from its carrying amount.

There were no allowance for diminution in value of the investment in a subsidiary of the Company in its separate financial statements for the year ended 31 December 2016.

CDN Production Trading Corporation (“CDN”) was established in Vietnam in accordance with Business License No. 0312062467 issued by the Planning and Investment Department of Ho Chi Minh City on 22 November 2012. The business license of CDN has been amended several times, the most recent of which is dated 14 March 2016. The principal activities of CDN are to manufacture and sell various kinds of coffees in the domestic markets. Please refer to Note 32 to the separate financial statements for information about significant transactions between the Company and CDN.

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**6. Other receivables – short-term and long-term**

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

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Accrued interest receivable from deposits at banks	5,589,586,111	2,649,708,333
Short-term deposits	641,340,000	4,883,670,000
Others	54,498,314	150,550,453
	<hr/>	<hr/>
	6,285,424,425	7,683,928,786
	<hr/>	<hr/>

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

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Accrued interest receivable from a subsidiary	3,126,275,001	-
Long-term deposits	787,337,200	510,856,000
	<hr/>	<hr/>
	3,913,612,201	510,856,000
	<hr/>	<hr/>

**7. Inventories**

	<b>31/12/2016</b>		<b>1/1/2016</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	7,328,414,698	-	5,688,278,770	-
Raw materials	72,704,256,296	(1,903,120,199)	194,520,384,317	(2,512,485,702)
Tools and supplies	9,303,833,294	-	8,690,159,102	-
Finished goods	96,803,696,914	(983,730,517)	88,015,534,682	(3,672,205,638)
Merchandise inventories	4,362,913,146	-	1,235,677,174	(432,850,296)
	<hr/>	<hr/>	<hr/>	<hr/>
	190,503,114,348	(2,886,850,716)	298,150,034,045	(6,617,541,636)
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Movements in the allowance for inventories during the year were as follows:

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Opening balance	6,617,541,636	13,936,504,431
Increase in allowance during the year	14,485,944,784	12,243,000,983
Allowance utilised during the year	(17,749,249,428)	(19,561,963,778)
Written back	(467,386,276)	-
	<hr/>	<hr/>
Closing balance	2,886,850,716	6,617,541,636
	<hr/>	<hr/>

Included in inventories of the Company at 31 December 2016 was VND2,887 million (1/1/2016: VND6,618 million) of slow-moving inventories.

**8. Long-term loans receivable**

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Long-term loans receivable from CDN, a subsidiary	98,000,000,000	-
	<hr/>	<hr/>

The long-term loans receivable as at 31 December 2016 were unsecured, bore interest rate at 6.9% per annum during the year and matures in 2019. The interest is receivable on the maturity of the loan agreement.

VinaCafé Bien Hoa Joint Stock Company

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**9. Tangible fixed assets**

Cost	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
Opening balance	202,116,312,659	617,428,542,045	2,982,158,246	4,835,918,097	827,362,931,047
Additions during the year	-	91,882,155	-	-	91,882,155
Transfer from construction in progress	1,545,060,000	160,846,195,442	-	-	162,391,255,442
Disposals	(39,908,023)	(668,354,940)	(33,203,612)	(387,354,164)	(1,128,820,739)
Closing balance	203,621,464,636	777,698,264,702	2,948,954,634	4,448,563,933	988,717,247,905
<b>Accumulated depreciation</b>					
Opening balance	28,423,025,630	235,132,876,432	2,058,795,661	3,276,368,794	268,891,066,517
Charge for the year	11,068,217,110	51,167,421,111	491,075,916	425,195,802	63,151,909,939
Disposals	(39,908,023)	(652,638,872)	(33,203,612)	(387,354,164)	(1,113,104,671)
Closing balance	39,451,334,717	285,647,658,671	2,516,667,965	3,314,210,432	330,929,871,785
<b>Net book value</b>					
Opening balance	173,693,287,029	382,295,665,613	923,362,585	1,559,549,303	558,471,864,530
Closing balance	164,170,129,919	492,050,606,031	432,286,669	1,134,353,501	657,787,376,120

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Included in the cost of tangible fixed assets were assets costing VND141,939 million which were fully depreciated as of 31 December 2016 (1/1/2016: VND140,226 million), but are still in active use.

As at 31 December 2016, no tangible fixed assets (1/1/2016: tangible fixed assets with carrying value of VND437,781 million) were pledged with banks as security for loans granted to the Company.

**10. Intangible fixed assets**

	<b>Software VND</b>	<b>Brand name VND</b>	<b>Total VND</b>
<b>Cost</b>			
Opening balance	1,004,073,640	-	1,004,073,640
Transfer from construction in progress	-	876,285,239	876,285,239
Closing balance	1,004,073,640	876,285,239	1,880,358,879
<b>Accumulated amortisation</b>			
Opening balance	920,400,831	-	920,400,831
Charge for the year	83,672,809	72,164,666	155,837,475
Closing balance	1,004,073,640	72,164,666	1,076,238,306
<b>Net book value</b>			
Opening balance	83,672,809	-	83,672,809
Closing balance	-	804,120,573	804,120,573

**VinaCafé Bien Hoa Joint Stock Company**  
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**11. Construction in progress**

	<b>2016</b> <b>VND</b>
Opening balance	149,981,030,413
Additions during the year	20,382,209,447
Transfer to tangible fixed assets	(162,391,255,442)
Transfer to intangible fixed assets	(876,285,239)
Transfer to long-term prepaid expenses	(3,722,162,415)
	3,373,536,764
Closing balance	3,373,536,764

During the year, borrowing cost capitalised into construction in progress amounted to VND2,686 million (2015: VND3,843 million).

Major constructions in progress were as follows:

	<b>31/12/2016</b> <b>VND</b>	<b>1/1/2016</b> <b>VND</b>
Machinery and equipment	3,373,536,764	145,683,957,197
Others	-	4,297,073,216
	3,373,536,764	149,981,030,413
	3,373,536,764	149,981,030,413

**12. Long-term prepaid expenses**

	<b>Prepaid land costs</b> <b>VND</b>	<b>Tools and supplies</b> <b>VND</b>	<b>Total</b> <b>VND</b>
Opening balance	15,708,733,589	7,368,275,000	23,077,008,589
Additions during the year	-	355,992,514	355,992,514
Transfer from construction in progress	-	3,722,162,415	3,722,162,415
Amortisation for the year	(402,788,040)	(6,658,270,037)	(7,061,058,077)
	15,305,945,549	4,788,159,892	20,094,105,441
Closing balance	15,305,945,549	4,788,159,892	20,094,105,441

As at 31 December 2016, no prepaid land costs (1/1/2016: prepaid land costs with carrying value of VND15,709 million) were pledged with banks as security for loans granted to the Company.

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**13. Deferred tax assets**

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

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Accrued advertising and promotion expenses	23,885,586,840	14,669,064,766
Accrued logistic expenses	1,834,998,172	2,254,321,428
Accrued sales discounts	1,182,383,193	2,212,190,398
Other accruals	1,816,879,027	3,235,065,984
	<hr/>	<hr/>
	28,719,847,232	22,370,642,576
	<hr/>	<hr/>

**14. Accounts payable to suppliers**

**(a) Accounts payable to suppliers classified by payment term**

	<b>31/12/2016</b>		<b>1/1/2016</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>
Short-term	334,772,064,929	334,772,064,929	240,137,845,202	240,137,845,202
	<hr/>			

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**(b) Accounts payable to suppliers who are related parties**

	31/12/2016		1/1/2016	
	Cost VND	Amount within payment capacity VND	Cost VND	Amount within payment capacity VND
<b>The parent of parent company</b>				
▪ Masan Consumer Corporation	111,638,116,313	111,638,116,313	62,664,306,725	62,664,306,725
<b>Subsidiary</b>				
▪ CDN Production Trading Corporation	982,973,503	982,973,503	-	-
<b>Other related parties</b>				
▪ Vinh Hao Mineral Water Corporation	38,631,849,379	38,631,849,379	29,388,769,818	29,388,769,818
▪ Masan Industrial One Member Company Limited	2,002,149,996	2,002,149,996	3,593,594,393	3,593,594,393

The trade related amounts due to the parent of parent company, subsidiary and other related parties were unsecured, interest free and are payable within 30 days from invoice date.

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15. Taxes payable to State Treasury

	1/1/2016 VND	Incurred VND	Paid/refunded VND	Deducted VND	31/12/2016 VND
Value added tax	28,926,626,896	324,249,619,763	(104,131,504,770)	(214,619,815,559)	34,424,926,330
Corporate income tax	13,600,948,477	80,950,428,823	(60,113,655,544)	-	34,437,721,756
Personal income tax	131,804,649	1,639,413,178	(1,523,600,914)	(140,856,122)	106,760,791
Import tax	-	4,171,733,435	(4,171,733,435)	-	-
Other taxes	-	449,249,272	(449,249,272)	-	-
	42,659,380,022	411,460,444,471	(170,389,743,935)	(214,760,671,681)	68,969,408,877

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**16. Accrued expenses**

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Advertising and promotion expenses	156,351,979,598	109,063,678,558
Logistics expenses	12,011,662,043	16,760,754,109
Sales discounts	7,739,728,317	16,447,512,255
Research and development expenses	6,521,004,249	11,773,940,800
Bonus and 13 <sup>th</sup> month salary	8,418,492,041	11,410,136,746
Purchases not yet received invoices	4,721,876,617	5,608,627,649
Exhibition expenses	947,931,934	3,428,283,541
Construction in progress	-	3,062,438,640
Accrued interest expenses	411,433,955	449,982,147
Others	4,424,120,274	4,301,431,752
	<hr/>	<hr/>
	201,548,229,028	182,306,786,197
	<hr/>	<hr/>

**17. Other payables – short-term and long-term**

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

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Short-term deposits received	1,115,638,268	1,120,659,610
Social insurance, health insurance, unemployment insurance and trade union fees	199,032,290	294,419,844
Others	299,964,318	316,285,383
	<hr/>	<hr/>
	1,614,634,876	1,731,364,837
	<hr/>	<hr/>

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

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Long-term deposits received	1,858,208,677	2,565,648,685
	<hr/>	<hr/>

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**18. Borrowings**

**(a) Short-term borrowings**

	1/1/2016		Movement during the year		31/12/2016	
	Carrying amount VND	Amount within repayment capacity VND	Addition VND	Decrease VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	176,096,127,260	176,096,127,260	1,283,284,091,120	(1,119,000,293,937)	340,379,924,443	340,379,924,443
Current portion of long-term borrowings	18,000,000,000	18,000,000,000	-	(18,000,000,000)	-	-
	194,096,127,260	194,096,127,260	1,283,284,091,120	(1,137,000,293,937)	340,379,924,443	340,379,924,443

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

	Currency	Annual interest rate	31/12/2016 VND	1/1/2016 VND
Unsecured bank loan	VND	3.8% – 4.8%	340,379,924,443	176,096,127,260

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**(b) Long-term borrowings**

	<b>31/12/2016</b>	<b>1/1/2016</b>
	<b>VND</b>	<b>VND</b>
Long-term borrowings	-	81,000,000,000
Repayable within twelve months	-	(18,000,000,000)
Repayable after twelve months	-	63,000,000,000

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

	<b>Currency</b>	<b>Annual interest rate</b>	<b>Year of maturity</b>	<b>31/12/2016</b>	<b>1/1/2016</b>
				<b>VND</b>	<b>VND</b>
Secured bank loan	VND	6.9%	2020	-	81,000,000,000

During the year, the secured long-term borrowings was fully repaid before its due date.

**19. 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 year were as follows:

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Opening balance	21,031,897,458	24,180,132,039
Utilisation	-	(3,148,234,581)
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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20. Changes in owners' equity

	Share capital VND	Share premium VND	Investment and development fund VND	Undistributed profits after tax VND	Total owners' equity VND
<b>Balance at 1 January 2015</b>	265,791,350,000	29,974,241,968	213,510,848,947	967,225,185,989	1,476,501,626,904
Net profit for the year	-	-	-	295,350,751,731	295,350,751,731
Board of Directors fee	-	-	-	(3,156,256,000)	(3,156,256,000)
<b>Balance at 1 January 2016</b>	265,791,350,000	29,974,241,968	213,510,848,947	1,259,419,681,720	1,768,696,122,635
Net profit for the year	-	-	-	404,603,793,458	404,603,793,458
Board of Directors fee	-	-	-	(928,752,000)	(928,752,000)
<b>Balance at 31 December 2016</b>	265,791,350,000	29,974,241,968	213,510,848,947	1,663,094,723,178	2,172,371,164,093

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## 21. Share capital and share premium

The Company's authorised and issued share capitals are:

	31/12/2016		1/1/2016	
	Number of shares	VND	Number of shares	VND
<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.

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.

## 23. Off balance sheet items

### (a) Lease commitments

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

	31/12/2016 VND	1/1/2016 VND
Within 1 year	16,372,646,400	15,553,826,400
Within 2 to 5 years	8,789,421,400	18,448,367,800
	25,162,067,800	34,002,194,200

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**(b) Foreign currency**

	31/12/2016		1/1/2016	
	Original currency	VND equivalent	Original currency	VND Equivalent
USD	161,941	3,679,293,840	879,316	19,696,688,256

**(c) Capital expenditure commitments**

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

	31/12/2016 VND	1/1/2016 VND
Approved but not contracted	1,430,963,349	27,351,495,805
Approved and contracted	1,693,050,291	-
	<u>3,124,013,640</u>	<u>27,351,495,805</u>

**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:

	2016 VND	2015 VND
Total revenue		
▪ Sales of goods	3,386,836,985,988	3,078,354,570,555
▪ Service and other sales	5,044,874,591	16,484,446,084
	<u>3,391,881,860,579</u>	<u>3,094,839,016,639</u>
Less revenue deductions		
▪ Sales discounts	59,100,480,565	56,905,131,786
▪ Sales returns	25,063,465,981	38,263,970,101
	<u>84,163,946,546</u>	<u>95,169,101,887</u>
Net revenue	<u>3,307,717,914,033</u>	<u>2,999,669,914,752</u>

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**25. Cost of sales**

	<b>2016</b> <b>VND</b>	<b>2015</b> <b>VND</b>
Total cost of sales		
▪ Goods sold	2,094,663,492,009	1,961,337,549,757
▪ Other sales	1,631,419,132	10,669,997,726
▪ Allowance for inventories	14,018,558,508	12,243,000,983
	<hr/> 2,110,313,469,649	<hr/> 1,984,250,548,466 <hr/>

**26. Financial income**

	<b>2016</b> <b>VND</b>	<b>2015</b> <b>VND</b>
Interest income from deposits at banks	67,819,051,312	46,008,523,617
Interest income from loans provided to a subsidiary	3,126,275,001	-
Foreign exchange gains	1,440,430,259	2,181,951,868
Other financial income	2,509,420,890	-
	<hr/> 74,895,177,462	<hr/> 48,190,475,485 <hr/>

**27. Financial expenses**

	<b>2016</b> <b>VND</b>	<b>2015</b> <b>VND</b>
Interest expenses	12,475,029,387	11,788,099,567
Foreign exchange losses	411,057,957	1,148,201,919
Other financial expenses	-	11,982,487,651
	<hr/> 12,886,087,344	<hr/> 24,918,789,137 <hr/>

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**28. Selling expenses**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Advertising and promotion expenses	487,417,161,006	436,867,693,804
Management service charge	104,614,360,064	97,150,344,898
Logistics expenses	84,775,432,048	77,000,068,569
Exhibition expenses	7,632,143,252	17,821,395,953
Marketing research expenses	6,802,415,699	15,284,121,272
Staff costs	868,205,038	1,861,369,643
Other selling expenses	3,338,056,244	4,966,391,859
	<hr/>	<hr/>
	695,447,773,351	650,951,385,998
	<hr/>	<hr/>

**29. General and administration expenses**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Management service charge	46,238,819,119	42,254,326,487
Staff costs	17,325,102,213	19,003,144,775
Research and development expenses	7,855,004,524	2,385,388,338
Depreciation and amortisation of fixed assets	945,500,552	1,176,099,305
System lease line and information technology services	798,151,355	1,431,993,340
Others expenses	11,398,600,119	10,948,504,331
	<hr/>	<hr/>
	84,561,177,882	77,199,456,576
	<hr/>	<hr/>

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

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Raw material costs included in production costs	1,798,042,890,878	1,697,692,334,907
Staff costs	84,562,166,237	92,313,702,260
Depreciation and amortisation	63,307,747,414	60,800,048,266
Outside services	790,371,449,713	773,211,772,518
Other expenses	154,038,166,640	88,383,533,089
	<hr/>	<hr/>

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**31. Income tax**

**(a) Recognised in the separate statement of income**

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
<b>Current tax expense</b>		
Current year	80,470,348,143	26,031,146,608
Under provision in prior years	480,080,680	-
	<hr/>	<hr/>
	80,950,428,823	26,031,146,608
	<hr/>	<hr/>
<b>Deferred tax income</b>		
Origination and reversal of temporary differences	(3,310,780,947)	2,537,746,591
Effect of change in tax rate	(3,038,423,709)	(13,191,968,330)
	<hr/>	<hr/>
	(6,349,204,656)	(10,654,221,739)
	<hr/>	<hr/>
Income tax expense	74,601,224,167	15,376,924,869

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

	<b>2016</b>	<b>2015</b>
	<b>VND</b>	<b>VND</b>
Accounting profit before tax	479,205,017,625	310,727,676,600
	<hr/>	<hr/>
Tax at the Company's tax rate	71,880,752,644	46,609,151,490
Effect of change in tax rate	(3,038,423,709)	(13,191,968,330)
Effect of different tax rate applied to other income	3,056,674,427	1,588,062,082
Non-deductible expenses	1,045,602,564	39,434,287
Effect of different tax rate applied to expansion project	1,176,537,561	(19,667,754,660)
Under provision in prior years	480,080,680	-
	<hr/>	<hr/>
	74,601,224,167	15,376,924,869



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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 period 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).

According to Decree No. 12/2-15/ND-CP dated 12 February 2015, Official Letter No. 5181/BTC-TCT dated 15 April 2016 issued by the Ministry of Finance and Official Letters issued by Dong Nai Tax Department, the Company is entitled to incentive corporate income tax rate of 15% for taxable profits generated from agriculture processing activities.

The normal corporate income tax rate applicable to enterprises before any incentives is 20% (2015: 22%).

**(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 audit 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 documentations in determination of market price in business transaction between related parties 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. Significant transactions with related parties**

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

	Transaction value		Receivables/(payables) as at	
	2016 VND	2015 VND	31/12/2016 VND	31/12/2015 VND
<b>Parent of the parent company</b>				
<b>Masan Consumer Corporation</b>				
Purchases of goods	52,845,750,553	42,030,992,563	(6,078,604,247)	(5,244,745,846)
Sales of goods	1,163,846,614	11,658,690,363	-	-
Management service charge	151,605,481,211	138,890,025,830	(105,559,512,066)	(57,419,560,879)
<b>Related parties</b>				
<b>Masan Industrial One</b>				
<b>Member Company Limited</b>				
Sales of goods	195,880,144	100,086,820	-	-
Purchases of goods and service	3,588,244,500	7,313,203,364	(2,002,149,996)	(3,593,594,393)
Management service charge	1,440,000,000	1,440,000,000	-	-
Purchase of fixed assets	31,882,155	413,916,511	-	-
<b>Vinh Hao Mineral Water</b>				
<b>Corporation</b>				
Sales of goods	2,752,739,338	14,600,381,505	-	-
Purchases of goods	150,422,632,359	114,405,712,917	(17,639,556,739)	(14,113,014,182)
Purchase of service	90,376,154,736	68,663,622,658	(20,992,292,640)	(15,275,755,636)
<b>Quang Ninh Mineral</b>				
<b>Water Corporation</b>				
Sales of goods	75,890,579	-	-	-
Purchase of goods	6,772,989,600	-	-	-



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	Transaction value		Receivables/(payables) as at	
	2016 VND	2015 VND	31/12/2016 VND	31/12/2015 VND
<b>Subsidiary</b>				
<b>CDN Production Trading Corporation</b>				
Sales of goods	20,087,062	-	-	-
Sales of service	157,991,952	-	173,791,147	-
Purchases of goods	14,668,646,937	-	(982,973,503)	-
Loans receivable	98,000,000,000	-	98,000,000,000	-
Interest income from loans	3,126,275,001	-	3,126,275,001	-
<b>Key management personnel</b>				
Remunerations	2,058,256,000	3,156,256,000	-	-

15 MAR 2017

Prepared by:



Nguyen Dieu Linh  
General Accountant

Approved by:



Phan Thi Thuy Hoa  
Chief Accountant



Nguyen Tan Ky  
Chief Executive Officer

