



KPMG'S COPY

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

Consolidated 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 consolidated financial statements of the Company and its subsidiary (collectively referred to as “the Group”) for the year ended 31 December 2016.

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

- (a) the consolidated financial statements set out on pages 5 to 45 give a true and fair view of the consolidated financial position the Group as at 31 December 2016, and of its consolidated results of operation and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Company’s Board of Management has, on the date of this statement, authorised these accompanying 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
10th 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 consolidated financial statements of VinaCafé Bien Hoa Joint Stock Company (“the Company”) and its subsidiary (collectively referred to as “the Group”), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto, which were authorised for issue by the Company’s Board of Management on **15 MAR 2017** as set out on pages 5 to 45.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

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



Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of VinaCafé Bien Hoa Joint Stock Company and its subsidiary as at 31 December 2016 and of their consolidated results of operation and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

KPMG Limited's Branch in Ho Chi Minh City
Vietnam

Audit Report No.: 16-01-795




Chong Kwang Puay
Practicing Auditor Registration
Certificate No. 0414-2013-007-1
Deputy General Director



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

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



Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of VinaCafé Bien Hoa Joint Stock Company and its subsidiary as at 31 December 2016 and of their consolidated results of operation and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

KPMG Limited's Branch in Ho Chi Minh City

Vietnam

Audit Report No.: 16-01-795

Chong Kwang Puay
Practicing Auditor Registration
Certificate No. 0414-2013-007-1
Deputy General Director

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

Ho Chi Minh City,

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated balance sheet as at 31 December 2016

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

	Code	Note	31/12/2016 VND	1/1/2016 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		2,323,304,183,347	1,774,965,379,886
Cash and cash equivalents	110	7	1,614,295,701,893	1,425,460,022,439
Cash	111		5,195,701,893	27,960,022,439
Cash equivalents	112		1,609,100,000,000	1,397,500,000,000
Short-term financial investments	120		445,000,000,000	-
Held-to-maturity investments	123	8	445,000,000,000	-
Accounts receivable – short-term	130		57,038,432,612	57,467,600,540
Accounts receivable from customers	131		47,312,797,128	45,236,608,603
Prepayments to suppliers	132		4,061,378,970	5,395,710,480
Other short-term receivables	136	9(a)	6,464,871,199	7,683,928,786
Allowance for doubtful debts	137		(800,614,685)	(848,647,329)
Inventories	140	10	192,958,056,825	291,532,492,409
Inventories	141		195,847,960,093	298,150,034,045
Allowance for inventories	149		(2,889,903,268)	(6,617,541,636)
Other current assets	150		14,011,992,017	505,264,498
Short-term prepaid expenses	151		5,886,117,913	505,264,498
Deductible value added tax	152		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 December 2016 (continued)

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

	Code	Note	31/12/2016 VND	1/1/2016 VND
Long-term assets (200 = 210 + 220 + 240 + 250 + 260)	200		816,955,643,678	754,495,074,917
Accounts receivable – long-term	210		787,337,200	510,856,000
Other long-term receivables	216	9(b)	787,337,200	510,856,000
Fixed assets	220		666,253,545,393	558,555,537,339
Tangible fixed assets	221	11	665,449,424,820	558,471,864,530
Cost	222		996,849,362,350	827,362,931,047
Accumulated depreciation	223		(331,399,937,530)	(268,891,066,517)
Intangible fixed assets	227	12	804,120,573	83,672,809
Cost	228		1,880,358,879	1,004,073,640
Accumulated amortisation	229		(1,076,238,306)	(920,400,831)
Long-term work in progress	240		69,877,443,965	149,981,030,413
Construction in progress	242	13	69,877,443,965	149,981,030,413
Other long-term assets	260		80,037,317,120	45,447,651,165
Long-term prepaid expenses	261	14	25,470,707,385	23,077,008,589
Deferred tax assets	262	15	28,975,775,617	22,370,642,576
Goodwill	269	16	25,590,834,118	-
TOTAL ASSETS (270 = 100 + 200)	270		3,140,259,827,025	2,529,460,454,803

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated balance sheet as at 31 December 2016 (continued)

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

	Code	Note	31/12/2016 VND	1/1/2016 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		990,163,024,175	760,764,332,168
Current liabilities	310		988,304,815,498	695,198,683,483
Accounts payable to suppliers	311	17	342,122,116,780	240,137,845,202
Advances from customers	312		6,600,908,908	13,235,282,507
Taxes payable to State Treasury	313	18	69,121,472,935	42,659,380,022
Accrued expenses	315	19	206,835,685,717	182,306,786,197
Other short-term payables	319	20(a)	2,212,809,257	1,731,364,837
Short-term borrowings	320	21(a)	340,379,924,443	194,096,127,260
Bonus and welfare funds	322	22	21,031,897,458	21,031,897,458
Long-term liabilities	330		1,858,208,677	65,565,648,685
Other long-term payables	337	20(b)	1,858,208,677	2,565,648,685
Long-term borrowings	338	21(b)	-	63,000,000,000
EQUITY (400 = 410)	400		2,150,096,802,850	1,768,696,122,635
Owners' equity	410	23	2,150,096,802,850	1,768,696,122,635
Share capital	411	24	265,791,350,000	265,791,350,000
Share premium	412	24	29,974,241,968	29,974,241,968
Investment and development fund	418	25	213,510,848,947	213,510,848,947
Undistributed profits after tax	421		1,642,561,068,149	1,259,419,681,720
Non-controlling interests	429		(1,740,706,214)	-
TOTAL RESOURCES (440 = 300 + 400)	440		3,140,259,827,025	2,529,460,454,803

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 consolidated financial statements

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated statement of income for the year ended 31 December 2016

Form B 02 – DN/HN
(Issued under Circular No. 202/2014/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	27	3,393,920,989,835	3,094,839,016,639
Revenue deductions	02	27	84,197,502,619	95,169,101,887
Net revenue (10 = 01 - 02)	10	27	3,309,723,487,216	2,999,669,914,752
Cost of sales	11	28	2,111,934,817,590	1,984,250,548,466
Gross profit (20 = 10 - 11)	20		1,197,788,669,626	1,015,419,366,286
Financial income	21	29	72,758,113,470	48,190,475,485
Financial expenses	22	30	13,505,257,817	24,918,789,137
<i>In which: Interest expense</i>	23		<i>13,003,334,038</i>	<i>11,788,099,567</i>
Selling expenses	25	31	708,459,088,087	650,951,385,998
General and administration expenses	26	32	92,965,635,938	77,199,456,576
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		455,616,801,254	310,540,210,060
Other income	31		419,297,082	782,391,402
Other expenses	32		713,591,298	594,924,862
Results of other activities (40 = 31 - 32)	40		(294,294,216)	187,466,540
Accounting profit before tax (50 = 30 + 40)	50		455,322,507,038	310,727,676,600
Income tax expense – current	51	34	80,950,428,823	26,031,146,608
Income tax benefit – deferred	52	34	(6,576,667,005)	(10,654,221,739)
Net profit after tax (60 = 50 - 51 - 52) (carried forward to next page)	60		380,948,745,220	295,350,751,731

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated statement of income for the year ended 31 December 2016 (continued)

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

	Code	Note	2016 VND	2015 VND
Net profit after tax (brought forward from previous page)	60		380,948,745,220	295,350,751,731
Attributable to:				
Equity holders of the Company	61		384,070,138,429	295,350,751,731
Non-controlling interests	62		(3,121,393,209)	-
Earnings per share				
Basic earnings per share	70	35	14,450	11,112

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 consolidated financial statements

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated statement of cash flows for the year ended 31 December 2016
(Indirect method)

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

	Code	2016 VND	2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounting profit before tax	01	455,322,507,038	310,727,676,600
Adjustments for			
Depreciation and amortisation	02	65,363,086,072	60,800,048,266
Allowances and provisions	03	14,244,603,892	12,109,000,983
Exchange gains arising from revaluation of monetary items dominated in foreign currencies	04	(229,101,756)	(769,013,774)
Profits from investing activities	05	(68,527,846,292)	(46,022,593,571)
Interest expense	06	13,003,334,038	11,788,099,567
Operating profit before changes in working capital	08	479,176,582,992	348,633,218,071
Change in receivables and other assets	09	(1,048,208,319)	(6,411,892,119)
Change in inventories	10	88,719,364,957	31,374,697,136
Change in payables and other liabilities	11	125,969,621,329	78,632,768,393
Change in prepaid expenses	12	5,252,657,888	3,727,541,438
		698,070,018,847	455,956,332,919
Interest paid	14	(13,480,016,620)	(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)
Net cash flows from operating activities	20	623,547,594,683	426,378,719,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for additions to fixed assets and other long-term assets	21	(77,079,058,341)	(144,312,771,283)
Proceeds from disposals of fixed assets	22	375,833,250	89,292,182
Placement of term deposits at banks	23	(8,892,400,000,000)	(6,161,500,000,000)
Withdrawal of term deposits at banks	24	8,447,400,000,000	6,161,500,000,000
Acquisition of a subsidiary, net of cash acquired (Note 6)	25	(11,555,624,763)	-
Receipts of interest	27	65,263,137,442	47,967,431,951
Net cash flows from investing activities	30	(467,995,712,412)	(96,256,047,150)

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated statement of cash flows for the year ended 31 December 2016
(Indirect method - continued)

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

	Code	2016 VND	2015 VND
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	33	1,283,284,091,120	1,652,171,345,571
Payments to settle loan principals	34	(1,250,000,293,937)	(1,928,081,697,174)
Net cash flows from financing activities	40	33,283,797,183	(275,910,351,603)
Net cash flows during the year (50 = 20 + 30 + 40)	50	188,835,679,454	54,212,320,247
Cash and cash equivalents at the beginning of the year	60	1,425,460,022,439	1,370,410,246,815
Effect of exchange rate fluctuations on cash and cash equivalents	61	-	837,455,377
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61) (Note 7)	70	1,614,295,701,893	1,425,460,022,439

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 consolidated financial statements

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016

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

These notes form an integral part of and should be read in conjunction with these accompanying consolidated financial statements.

1. Reporting entity

(a) Ownership structure

VinaCafé Bien Hoa Joint Stock Company (“the Company”) is a joint stock company incorporated in Vietnam. The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiary (collectively referred to as “the Group”).

(b) Principal activities

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

(c) Normal operating cycle

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

(d) Group structure

As at 31 December 2016, the Group has one subsidiary (1/1/2016: the Group had no subsidiary). Detail information of the subsidiary are described as follows:

Name	Principal activities	Address	Percentage of economic interests and voting rights	
			31/12/2016	1/1/2016
CDN Production Trading Corporation	Beverage manufacturing and trading	10 Hung Gia 2, Tan Phong Ward, District 7, Ho Chi Minh City, Vietnam	85%	-

In May 2016, the Company acquired 85% equity interest in CDN Production Trading Corporation (“CDN”) for a total consideration of VND35,000 million excluding transactions costs. CDN is incorporated in Vietnam.

As at 31 December 2016, the Group had 423 employees (1/1/2016: 406 employees).

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidation financial statements for the year ended 31 December 2016
(continued)

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

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Annual accounting period

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

(d) Accounting and presentation currency

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

(e) Corresponding figures

The corresponding figures as at 1 January 2016 were brought forward from the audited figures as at 31 December 2015.

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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(ii) *Non-controlling interests*

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

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with shareholders. The difference between the change in the Group’s share of net assets of the subsidiary and any consideration paid or received is recorded directly in undistributed profits after tax under equity.

(iii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iv) *Business combination*

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

(b) *Foreign currency transactions*

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

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

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(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 investment 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.

(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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 202/2014/TT-BTC
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(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.

(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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2016
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(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.

(n) Derivative financial instruments

The Group holds derivative financial instruments to hedge its exposures to the risk of raw material price fluctuation. Derivative financial instruments are recorded in the consolidated 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 consolidated statement of income.

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(o) 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.

(p) Taxation

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

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

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

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.

(q) 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) Provision of services

Revenue from provision of services is recognised in the consolidated 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.

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(iii) 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.

(r) Financial income and financial expenses

(i) Financial income

Financial income comprises interest income from deposits at banks, 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.

(s) 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.

(t) 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.

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(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

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

(v) Related parties

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

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

4. Changes in the composition of the Group

In May 2016, the Company acquired 85% equity interest in CDN Production Trading Corporation ("CDN") resulting in CDN being a subsidiary of the Company. As a result, the Company is required to prepare the consolidated financial statements for the year ended 31 December 2016. The corresponding figures as at 1 January 2016 and for the year ended 31 December 2015 in the consolidated financial statements are those of the Company on a standalone basis and therefore they may not be comparable with the current reporting period.

5. Segment reporting

(a) Business segments

The Group operates in the following main business segments:

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

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For the year ended 31 December 2016	Coffee VND	Cereals VND	Non-alcoholic drinks VND	Others VND	Consolidated VND
Local sales	1,889,670,659,608	407,180,865,994	787,524,858,558	6,816,778,518	3,091,193,162,678
Export sales	213,834,700,924	4,695,623,614	-	-	218,530,324,538
Total segment revenue – net	2,103,505,360,532	411,876,489,608	787,524,858,558	6,816,778,518	3,309,723,487,216
Segment cost of sales	(1,434,658,869,370)	(218,512,285,093)	(456,555,295,524)	(2,208,367,603)	(2,111,934,817,590)
Segment gross profit	668,846,491,162	193,364,204,515	330,969,563,034	4,608,410,915	1,197,788,669,626
Unallocated selling expenses					(708,459,088,087)
Unallocated general and administration expenses					(92,965,635,938)
Financial income					72,758,113,470
Financial expenses					(13,505,257,817)
Net operating profit					455,616,801,254
Other income					419,297,082
Other expenses					(713,591,298)
Income tax expense					(74,373,761,818)
Net profit after tax					380,948,745,220

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	For the year ended 31 December 2015					
	Coffee	Cereals	Non-alcoholic drinks	Others	Consolidated	
	VND	VND	VND	VND	VND	
Local sales	1,930,648,053,541	289,819,647,170	562,102,201,036	14,310,402,742	2,796,880,304,489	
Export sales	197,450,340,817	5,112,618,622	226,650,824	-	202,789,610,263	
Total segment revenue – net	2,128,098,394,358	294,932,265,792	562,328,851,860	14,310,402,742	2,999,669,914,752	
Segment cost of sales	(1,464,704,500,700)	(174,208,191,708)	(334,667,858,332)	(10,669,997,726)	(1,984,250,548,466)	
Segment gross profit	663,393,893,658	120,724,074,084	227,660,993,528	3,640,405,016	1,015,419,366,286	
Unallocated selling expenses					(650,951,385,998)	
Unallocated general and administration expenses					(77,199,456,576)	
Financial income					48,190,475,485	
Financial expenses					(24,918,789,137)	
Net operating profit					310,540,210,060	
Other income					782,391,402	
Other expenses					(594,924,862)	
Income tax expense					(15,376,924,869)	
Net profit after tax					295,350,751,731	

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

(b) Geographical segments

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

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6. Business combination

Acquisition of CDN Production Trading Corporation

In May 2016, the Company acquired of 85% equity interest in CDN Production Trading Corporation (“CDN”) for a total consideration of VND35,000 million excluding transactions costs. Such acquisition resulted in the Group having 85% effective economic interest in CDN as at 31 December 2016.

The acquisition had the following effect on the Group’s assets and liabilities at acquisition date:

	Pre-acquisition carrying amounts VND	Fair value adjustments VND	Recognised value on acquisition VND
Cash and cash equivalents	23,444,375,237	-	23,444,375,237
Accounts receivable from customers	361,699,396	-	361,699,396
Prepayment to suppliers	20,893,841,858	-	20,893,841,858
Other short-term receivables	394,448,888	-	394,448,888
Inventories	4,437,565,909	-	4,437,565,909
Short-term prepaid expenses	1,573,379,697	-	1,573,379,697
Deductible value added tax	1,614,397,960	-	1,614,397,960
Tangible fixed assets	8,023,114,445	-	8,023,114,445
Construction in progress	512,819,546	-	512,819,546
Long-term prepaid expenses	1,203,165,220	-	1,203,165,220
Deferred tax assets	28,466,036	-	28,466,036
Accounts payable to suppliers	(575,538,404)	-	(575,538,404)
Taxes payable to State Treasury	(111,135,384)	-	(111,135,384)
Payables to employees	(412,231,529)	-	(412,231,529)
Accrued expenses	(1,567,029,008)	-	(1,567,029,008)
Other short-term payables	(616,759,903)	-	(616,759,903)
Short-term borrowings	(50,000,000,000)	-	(50,000,000,000)
Total net identifiable assets acquired	9,204,579,964	-	9,204,579,964
Share of net assets acquired			7,823,892,969
Goodwill on acquisition (Note 16)			27,176,107,031
Consideration paid			35,000,000,000
Cash acquired			(23,444,375,237)
Net cash outflow			11,555,624,763

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Goodwill recognised on the acquisition is attributable mainly to the synergies expected to be achieved from integrating the acquired company into the Group's existing business.

During the period from the acquisition date to 31 December 2016, net revenue and net loss of the acquired business are VND16,854 million and VND20,809 million, respectively.

7. Cash and cash equivalents

	31/12/2016	1/1/2016
	VND	VND
Cash on hand	66,338,875	119,095,032
Cash at banks	5,129,363,018	27,840,927,407
Cash equivalents	1,609,100,000,000	1,397,500,000,000
Cash and cash equivalents in the consolidated statement of cash flows	1,614,295,701,893	1,425,460,022,439

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

8. Held-to-maturity investments

	31/12/2016	1/1/2016
	VND	VND
Term deposits at banks	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.

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9. Other receivables – short-term and long-term

(a) Other short-term receivables

	31/12/2016	1/1/2016
	VND	VND
Accrued interest receivable from deposits at banks	5,589,688,889	2,649,708,333
Short-term deposits	770,340,000	4,883,670,000
Others	104,842,310	150,550,453
	<hr/>	<hr/>
	6,464,871,199	7,683,928,786
	<hr/>	<hr/>

(b) Other long-term receivables

	31/12/2016	1/1/2016
	VND	VND
Long-term deposits	787,337,200	510,856,000
	<hr/>	<hr/>

10. Inventories

	31/12/2016		1/1/2016	
	Cost	Allowance	Cost	Allowance
	VND	VND	VND	VND
Goods in transit	8,995,171,080	-	5,688,278,770	-
Raw materials	77,283,049,615	(1,906,172,751)	194,520,384,317	(2,512,485,702)
Tools and supplies	9,303,833,294	-	8,690,159,102	-
Finished goods	99,386,124,065	(983,730,517)	88,015,534,682	(3,672,205,638)
Merchandise inventories	879,782,039	-	1,235,677,174	(432,850,296)
	<hr/>	<hr/>	<hr/>	<hr/>
	195,847,960,093	(2,889,903,268)	298,150,034,045	(6,617,541,636)
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2016	2015
	VND	VND
Opening balance	6,617,541,636	13,936,504,431
Increase in allowance during the year	14,760,022,812	12,243,000,983
Allowance utilised during the year	(18,020,274,904)	(19,561,963,778)
Written back	(467,386,276)	-
	<hr/>	<hr/>
Closing balance	2,889,903,268	6,617,541,636
	<hr/>	<hr/>

Included in inventories of the Group at 31 December 2016 was VND2,890 million (1/1/2016: VND6,618 million) of slow-moving inventories.

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11. Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
Cost					
Opening balance	202,116,312,659	617,428,542,045	2,982,158,246	4,835,918,097	827,362,931,047
Acquisition of a subsidiary (Note 6)	-	7,431,656,488	66,966,491	524,491,466	8,023,114,445
Additions during the year	-	91,882,155	-	-	91,882,155
Transfer from construction in progress	1,545,060,000	160,955,195,442	-	-	162,500,255,442
Disposals	(39,908,023)	(668,354,940)	(33,203,612)	(387,354,164)	(1,128,820,739)
Closing balance	203,621,464,636	785,238,921,190	3,015,921,125	4,973,055,399	996,849,362,350
Accumulated depreciation					
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	51,576,697,351	507,631,203	469,430,020	63,621,975,684
Disposals	(39,908,023)	(652,638,872)	(33,203,612)	(387,354,164)	(1,113,104,671)
Closing balance	39,451,334,717	286,056,934,911	2,533,223,252	3,358,444,650	331,399,937,530
Net book value					
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	499,181,986,279	482,697,873	1,614,610,749	665,449,424,820

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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 which 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 Group.

12. Intangible fixed assets

	Software VND	Brand name VND	Total VND
Cost			
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
Accumulated amortisation			
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
Net book value			
Opening balance	83,672,809	-	83,672,809
Closing balance	-	804,120,573	804,120,573

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13. Construction in progress

	2016 VND
Opening balance	149,981,030,413
Acquisition of a subsidiary (Note 6)	512,819,546
Additions during the year	93,010,799,869
Transfer to tangible fixed assets	(162,500,255,442)
Transfer to intangible fixed assets	(876,285,239)
Transfer to long-term prepaid expenses	(10,250,665,182)
	69,877,443,965
Closing balance	69,877,443,965

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:

	31/12/2016 VND	1/1/2016 VND
Machinery and equipment	69,877,443,965	145,683,957,197
Others	-	4,297,073,216
	69,877,443,965	149,981,030,413
	69,877,443,965	149,981,030,413

14. Long-term prepaid expenses

	Prepaid land costs VND	Tools and supplies VND	Total VND
Opening balance	15,708,733,589	7,368,275,000	23,077,008,589
Acquisition of a subsidiary (Note 6)	-	1,203,165,220	1,203,165,220
Additions during the year	-	355,992,514	355,992,514
Transfer from construction in progress	-	10,250,665,182	10,250,665,182
Amortisation for the year	(402,788,040)	(9,013,336,080)	(9,416,124,120)
	15,305,945,549	10,164,761,836	25,470,707,385
Closing balance	15,305,945,549	10,164,761,836	25,470,707,385

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 Group.

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15. Deferred tax assets

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

	31/12/2016	1/1/2016
	VND	VND
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
Urealised profits	227,462,349	-
Other accruals	1,845,345,063	3,235,065,984
	<hr/>	<hr/>
	28,975,775,617	22,370,642,576
	<hr/>	<hr/>

16. Goodwill

	2016
	VND
Cost	
Additions (Note 6) and closing balance	27,176,107,031
	<hr/>
Accumulated amortisation	
Charge for the year and closing balance	1,585,272,913
	<hr/>
Net book value	
Closing balance	25,590,834,118
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17. Accounts payable to suppliers

(a) Accounts payable to suppliers classified by payment term

	31/12/2016		1/1/2016	
	Cost VND	Amount within payment capacity VND	Cost VND	Amount within payment capacity VND
Short-term	342,122,116,780	342,122,116,780	240,137,845,202	240,137,845,202

(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
The parent of parent company				
▪ Masan Consumer Corporation	111,640,198,333	111,640,198,333	62,664,306,725	62,664,306,725
Other related parties				
▪ 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 and other related parties were unsecured, interest free and are payable within 30 days from invoice date.

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18. Taxes payable to State Treasury

	1/1/2016 VND	Acquisition of a subsidiary VND	Incurred VND	Paid/refunded VND	Deducted VND	31/12/2016 VND
Value added tax	28,926,626,896	-	325,935,057,172	(104,131,504,770)	(216,305,252,968)	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	111,135,384	2,214,876,736	(2,057,135,799)	(141,856,121)	258,824,849
Import tax	-	-	4,455,554,702	(4,455,554,702)	-	-
Other taxes	-	-	449,249,272	(449,249,272)	-	-
	42,659,380,022	111,135,384	414,005,166,705	(171,207,100,087)	(216,447,109,089)	69,121,472,935

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19. Accrued expenses

	31/12/2016	1/1/2016
	VND	VND
Advertising and promotion expenses	158,942,644,197	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	6,935,604,249	11,773,940,800
Bonus and 13 th month salary	9,019,082,037	11,410,136,746
Purchases not yet received invoices	5,800,034,813	5,608,627,649
Exhibition expenses	1,210,431,934	3,428,283,541
Construction in progress	157,000,000	3,062,438,640
Accrued interest expenses	411,433,955	449,982,147
Others	4,608,064,172	4,301,431,752
	<hr/>	<hr/>
	206,835,685,717	182,306,786,197
	<hr/>	<hr/>

20. Other payables – short-term and long-term

(a) Other short-term payables

	31/12/2016	1/1/2016
	VND	VND
Short-term deposits received	1,115,638,268	1,120,659,610
Social insurance, health insurance, unemployment insurance and trade union fees	253,685,303	294,419,844
Others	843,485,686	316,285,383
	<hr/>	<hr/>
	2,212,809,257	1,731,364,837
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(b) Other long-term payables

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary

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21. Borrowings

(a) Short-term borrowings

	1/1/2016		Movement during the year			31/12/2016	
	Carrying amount VND	Amount within repayment capacity VND	Acquisition of a subsidiary VND	Addition VND	Decrease VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	176,096,127,260	176,096,127,260	50,000,000,000	1,283,284,091,120	(1,169,000,293,937)	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	50,000,000,000	1,283,284,091,120	(1,187,000,293,937)	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

	31/12/2016	1/1/2016
	VND	VND
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:

	Currency	Annual interest rate	Year of maturity	31/12/2016	1/1/2016
				VND	VND
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.

22. 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:

	2016	2015
	VND	VND
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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23. 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 2015	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)
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 profit for the year	-	-	-	384,070,138,429	(3,121,393,209)	380,948,745,220
Board of Directors fee	-	-	-	(928,752,000)	-	(928,752,000)
Acquisition of a subsidiary with non-controlling interests (Note 6)	-	-	-	-	1,380,686,995	1,380,686,995
Balance at 31 December 2016	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

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24. 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
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 year.

25. 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.

26. Off balance sheet items

(a) Lease commitments

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

	31/12/2016	1/1/2016
	VND	VND
Within 1 year	16,795,146,400	15,553,826,400
Within 2 to 5 years	8,933,421,400	18,448,367,800
	25,728,567,800	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 Group had the following outstanding capital commitments approved but not provided for in the consolidated balance sheets:

	31/12/2016 VND	1/1/2016 VND
Approved but not contracted	16,580,764,897	27,351,495,805
Approved and contracted	3,274,340,479	-
	<u>19,855,105,376</u>	<u>27,351,495,805</u>

27. 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.

	2016 VND	2015 VND
Net revenue comprised:		
Total revenue		
▪ Sales of goods	3,387,061,872,527	3,078,354,570,555
▪ Service and other sales	6,859,117,308	16,484,446,084
	<u>3,393,920,989,835</u>	<u>3,094,839,016,639</u>
Less revenue deductions		
▪ Sales discounts	59,100,480,565	56,905,131,786
▪ Sales returns	25,097,022,054	38,263,970,101
	<u>84,197,502,619</u>	<u>95,169,101,887</u>
Net revenue	<u>3,309,723,487,216</u>	<u>2,999,669,914,752</u>

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28. Cost of sales

	2016 VND	2015 VND
Total cost of sales		
▪ Goods sold	2,095,433,813,451	1,961,337,549,757
▪ Other sales	2,208,367,603	10,669,997,726
▪ Allowance for inventories	14,292,636,536	12,243,000,983
	<hr/>	<hr/>
	2,111,934,817,590	1,984,250,548,466
	<hr/>	<hr/>

29. Financial income

	2016 VND	2015 VND
Interest income from deposits at banks	68,167,729,110	46,008,523,617
Foreign exchange gains	2,080,384,694	2,181,951,868
Other financial income	2,509,999,666	-
	<hr/>	<hr/>
	72,758,113,470	48,190,475,485
	<hr/>	<hr/>

30. Financial expenses

	2016 VND	2015 VND
Interest expenses	13,003,334,038	11,788,099,567
Foreign exchange losses	501,923,779	1,148,201,919
Other financial expenses	-	11,982,487,651
	<hr/>	<hr/>
	13,505,257,817	24,918,789,137
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31. Selling expenses

	2016 VND	2015 VND
Advertising and promotion expenses	491,810,020,009	436,867,693,804
Management service charge	104,614,360,064	97,150,344,898
Logistics expenses	84,798,583,728	77,000,068,569
Exhibition expenses	12,707,811,019	17,821,395,953
Marketing research expenses	7,332,415,699	15,284,121,272
Staff costs	2,330,986,863	1,861,369,643
Other selling expenses	4,864,910,705	4,966,391,859
	<hr/>	<hr/>
	708,459,088,087	650,951,385,998
	<hr/>	<hr/>

32. General and administration expenses

	2016 VND	2015 VND
Management service charge	46,238,819,119	42,254,326,487
Staff costs	18,665,651,202	19,003,144,775
Research and development expenses	12,261,913,484	2,385,388,338
Depreciation and amortisation of fixed assets	1,006,290,057	1,176,099,305
Amortisation of goodwill	1,585,272,913	-
Leased line system and information technology services	903,234,693	1,431,993,340
Others expenses	12,304,454,470	10,948,504,331
	<hr/>	<hr/>
	92,965,635,938	77,199,456,576
	<hr/>	<hr/>

33. Production and business costs by element

	2016 VND	2015 VND
Raw material costs included in production costs	1,808,171,985,110	1,697,692,334,907
Staff costs	87,947,332,873	92,313,702,260
Depreciation and amortisation	65,363,086,072	60,800,048,266
Outside services	803,344,838,895	773,211,772,518
Other expenses	148,532,298,665	88,383,533,089
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34. Income tax

(a) Recognised in the consolidated statement of income

	2016	2015
	VND	VND
Current tax expense		
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/>
Deferred tax income		
Origination and reversal of temporary differences	(3,538,243,296)	2,537,746,591
Effect of change in tax rate	(3,038,423,709)	(13,191,968,330)
	<hr/>	<hr/>
	(6,576,667,005)	(10,654,221,739)
	<hr/>	<hr/>
Income tax expense	74,373,761,818	15,376,924,869
	<hr/>	<hr/>

(b) Reconciliation of effective tax rate

	2016	2015
	VND	VND
Accounting profit before tax	455,322,507,038	310,727,676,600
	<hr/>	<hr/>
Tax at the Company's tax rate	68,298,376,056	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 subsidiary and other income	2,227,017,615	1,588,062,082
Non-deductible expenses	1,045,780,727	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	-
Deferred tax assets not recognised (*)	4,184,392,888	-
	<hr/>	<hr/>
	74,373,761,818	15,376,924,869
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- (*) Deferred tax assets have not been recognised in respect of temporary differences and tax losses of a subsidiary because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits therefrom. The tax losses of a subsidiary are subject to tax review and have not been finalised.

(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 and its subsidiary are 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 review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Vietnam that are substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, including 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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35. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2016 was based on the profit attributable to ordinary shareholders of the Company after deducting the amounts appropriated to bonus and welfare funds for the annual accounting year of VND384,070,138,429 (2015: VND295,350,751,731) and a weighted average number of ordinary shares outstanding of 26,579,135 (2015: 26,579,135), calculated as follows:

(i) Net profit attributable to ordinary shareholders

	2016	2015
	VND	VND
Net profit attributable to ordinary shareholders	384,070,138,429	295,350,751,731

(ii) Weighted average number of ordinary shares

	2016	2015
Weighted average number of ordinary shares at the end of the year	26,579,135	26,579,135

(iii) Basic earnings per share

	2016	2015
	VND	VND
Basic earnings per share	14,450	11,112

(b) Diluted earnings per share

At the reporting date, the Group did not have potential ordinary shares therefore the presentation of diluted earnings per share is not applicable.

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36. Significant transactions with related parties

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

	Transaction value		Receivables/(payables) as at	
	2016 VND	2015 VND	31/12/2016 VND	1/1/2016 VND
Parent of the parent company				
Masan Consumer Corporation				
Purchases of goods	52,849,360,374	42,030,992,563	(6,078,604,247)	(5,244,745,846)
Sales of goods	1,787,188,004	11,658,690,363	-	-
Management service charge	151,605,481,211	138,890,025,828	(105,559,512,066)	(57,419,560,879)
Related parties				
Masan Industrial One				
Member Company Limited				
Sales of goods	241,604,088	100,086,820	1,399,860	-
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	-	-
Vinh Hao Mineral Water Corporation				
Sales of goods	2,755,952,080	14,600,381,505	-	-
Purchases of goods	150,422,632,359	114,405,712,917	(17,639,556,739)	(29,388,769,818)
Purchase of service	90,376,154,736	68,663,622,658	(20,992,292,640)	-

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	Transaction value		Receivables/(payables) as at	
	2016 VND	2015 VND	31/12/2016 VND	1/1/2016 VND
Quang Ninh Mineral Water Corporation				
Sales of goods	81,103,321	-	-	-
Purchases of goods	6,772,989,600	-	-	-
Key management personnel				
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

