



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

Consolidated Financial Statements
for the year ended 31 December 2017



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

**Business Registration
Certificate No.**

3600261626

29 December 2004

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

Board of Directors

Pham Quang Vu	Chairman
Nguyen Hoang Yen	Member
Truong Cong Thang	Member (from 24 August 2017)
Pham Dinh Toai	Member
Pham Hong Son	Member
Nguyen Nam Hai	Member
Le Trung Thanh	Member (until 23 August 2017)

Board of Management

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

Registered Office

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

Auditor

KPMG Limited
Vietnam

VinaCafé Bien Hoa Joint Stock Company Statement of the Board of Management

The Board of Management of VinaCafé Bien Hoa Joint Stock Company (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiary (collectively referred to as “the Group”) for the year ended 31 December 2017.

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 43 give a true and fair view of the consolidated financial position the Group as at 31 December 2017, 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 consolidated financial statements for issue.

On behalf of the Board of Management



Nguyen Tan Ky
Chief Executive Officer

Dong Nai Province, 07 MAR 2018



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders VinaCafé Bien Hoa Joint Stock Company

We have audited the accompanying consolidated financial statements of VinaCafé Bien Hoa Joint Stock Company ("the Company") and its subsidiary (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2017, 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 **07 MAR 2018** as set out on pages 5 to 43.

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 2017 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.: 17-01-531/HN



Chang Hung Chun
Practicing Auditor Registration
Certificate No. 0863-2018-007-1

Ho Chi Minh City, 07 MAR 2018

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

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

	Code	Note	31/12/2017 VND	1/1/2017 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		2,829,757,572,782	2,323,304,183,347
Cash and cash equivalents	110	5	2,495,714,686,629	1,614,295,701,893
Cash	111		11,814,686,629	5,195,701,893
Cash equivalents	112		2,483,900,000,000	1,609,100,000,000
Short-term financial investments	120		-	445,000,000,000
Held-to-maturity investments	123	6	-	445,000,000,000
Accounts receivable – short-term	130		43,705,236,791	57,038,432,612
Accounts receivable from customers	131		36,981,549,864	47,312,797,128
Prepayments to suppliers	132		751,791,204	4,061,378,970
Other short-term receivables	136	7(a)	5,971,895,723	6,464,871,199
Allowance for doubtful debts	137		-	(800,614,685)
Inventories	140	8	276,210,369,895	192,958,056,825
Inventories	141		278,109,725,782	195,847,960,093
Allowance for inventories	149		(1,899,355,887)	(2,889,903,268)
Other current assets	150		14,127,279,467	14,011,992,017
Short-term prepaid expenses	151		3,907,334,338	5,886,117,913
Deductible value added tax	152		8,750,729,417	8,125,874,104
Taxes and others receivable from State Treasury	153		1,469,215,712	-

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated balance sheet as at 31 December 2017 (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	31/12/2017 VND	1/1/2017 VND
Long-term assets (200 = 210 + 220 + 240 + 260)	200		753,585,571,436	816,955,643,678
Accounts receivable – long-term	210		199,160,000	787,337,200
Other long-term receivables	216	7(b)	199,160,000	787,337,200
Fixed assets	220		666,554,636,023	666,253,545,393
Tangible fixed assets	221	9	665,582,559,639	665,449,424,820
Cost	222		1,070,794,281,378	996,849,362,350
Accumulated depreciation	223		(405,211,721,739)	(331,399,937,530)
Intangible fixed assets	227	10	972,076,384	804,120,573
Cost	228		2,180,358,879	1,880,358,879
Accumulated amortisation	229		(1,208,282,495)	(1,076,238,306)
Long-term work in progress	240		8,261,322,378	69,877,443,965
Construction in progress	242	11	8,261,322,378	69,877,443,965
Other long-term assets	260		78,570,453,035	80,037,317,120
Long-term prepaid expenses	261	12	24,054,252,687	25,470,707,385
Deferred tax assets	262	13	31,642,976,938	28,975,775,617
Goodwill	269	14	22,873,223,410	25,590,834,118
TOTAL ASSETS (270 = 100 + 200)	270		3,583,343,144,218	3,140,259,827,025

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 2017 (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	31/12/2017 VND	1/1/2017 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		2,818,126,415,213	990,163,024,175
Current liabilities	310		2,812,041,458,744	988,304,815,498
Accounts payable to suppliers	311	15	392,142,293,178	342,122,116,780
Advances from customers	312		17,118,507,057	6,600,908,908
Taxes payable to State Treasury	313	16	26,640,938,561	69,121,472,935
Accrued expenses	315	17	191,663,284,616	206,835,685,717
Other short-term payables	319	18(a)	1,756,282,893,506	2,212,809,257
Short-term borrowings	320	19	407,161,644,368	340,379,924,443
Bonus and welfare funds	322		21,031,897,458	21,031,897,458
Long-term liabilities	330		6,084,956,469	1,858,208,677
Other long-term payables	337	18(b)	1,011,020,719	1,858,208,677
Provisions – long-term	342		5,073,935,750	-
EQUITY (400 = 410)	400		765,216,729,005	2,150,096,802,850
Owners' equity	410	20	765,216,729,005	2,150,096,802,850
Share capital	411	20	265,791,350,000	265,791,350,000
- Ordinary shares with voting rights	411a		265,791,350,000	265,791,350,000
Share premium	412	21	29,974,241,968	29,974,241,968
Investment and development fund	418	23	213,510,848,947	213,510,848,947
Undistributed profits after tax	421		260,832,034,286	1,642,561,068,149
- Undistributed profits after tax brought forward	421a		-	1,259,419,681,720
- Undistributed profit after tax for the current year	421b		260,832,034,286	383,141,386,429
Non-controlling interests	429		(4,891,746,196)	(1,740,706,214)
TOTAL RESOURCES (440 = 300 + 400)	440		3,583,343,144,218	3,140,259,827,025

07 MAR 2018

Prepared by:



Hong Do Nguyen Thao
General Accountant

Approved by:



Phan Thi Thuy Hoa
Chief Accountant



Nguyen Tan Ky
Chief Executive Officer

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated statement of income for the year ended 31 December 2017

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

	Code	Note	2017 VND	2016 VND
Revenue from sales of goods and provision of services	01	25	3,340,245,564,366	3,393,920,989,835
Revenue deductions	02	25	91,400,978,489	84,197,502,619
Net revenue (10 = 01 - 02)	10	25	3,248,844,585,877	3,309,723,487,216
Cost of sales	11	26	2,029,621,731,324	2,111,934,817,590
Gross profit (20 = 10 - 11)	20		1,219,222,854,553	1,197,788,669,626
Financial income	21	27	91,973,100,028	72,758,113,470
Financial expenses	22	28	12,138,469,056	13,505,257,817
<i>In which: Interest expense</i>	23		<i>11,417,754,176</i>	<i>13,003,334,038</i>
Selling expenses	25	29	723,029,878,478	708,459,088,087
General and administration expenses	26	30	122,937,601,813	92,965,635,938
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		453,090,005,234	455,616,801,254
Other income	31		382,101,620	419,297,082
Other expenses	32		198,292,202	713,591,298
Results of other activities (40 = 31 - 32)	40		183,809,418	(294,294,216)
Accounting profit before tax (50 = 30 + 40)	50		453,273,814,652	455,322,507,038
Income tax expense – current	51	32	86,598,179,818	80,950,428,823
Income tax benefit – deferred	52	32	(2,667,201,321)	(6,576,667,005)
Net profit after tax (60 = 50 - 51 - 52) (carried forward to next page)	60		369,342,836,155	380,948,745,220

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 2017 (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	2017 VND	2016 VND
Net profit after tax (brought forward from previous page)	60		369,342,836,155	380,948,745,220
Attributable to:				
Equity holders of the Company	61		372,493,876,137	384,070,138,429
Non-controlling interests	62		(3,151,039,982)	(3,121,393,209)
<hr/>				
Earnings per share				
Basic earnings per share	70	33	14,015	14,450
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07 MAR 2018

Prepared by:



Hong Do Nguyen Thao
General Accountant

Approved by:



Phan Thi Thuy Hoa
Chief Accountant



Nguyen Tan Ky
Chief Executive Officer

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Consolidated statement of cash flows for the year ended 31 December 2017
(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	2017 VND	2016 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounting profit before tax	01	453,273,814,652	455,322,507,038
Adjustments for			
Depreciation and amortisation	02	80,309,693,828	65,363,086,072
Allowances and provisions	03	14,327,746,541	14,244,603,892
Exchange gains arising from revaluation of monetary items dominated in foreign currencies	04	(44,376,301)	(229,101,756)
Profits from investing activities	05	(91,372,868,374)	(68,527,846,292)
Interest expense	06	11,417,754,176	13,003,334,038
Operating profit before changes in working capital	08	467,911,764,522	479,176,582,992
Change in receivables and other assets	09	7,861,767,798	(1,048,208,319)
Change in inventories	10	(92,506,123,861)	88,719,364,957
Change in payables and other liabilities	11	7,110,424,873	125,969,621,329
Change in prepaid expenses	12	8,833,653,809	5,252,657,888
		399,211,487,141	698,070,018,847
Interest paid	14	(10,402,886,165)	(13,480,016,620)
Corporate income tax paid	15	(94,522,860,729)	(60,113,655,544)
Other payments for operating activities	17	-	(928,752,000)
Net cash flows from operating activities	20	294,285,740,247	623,547,594,683
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for additions to fixed assets and other long-term assets	21	(17,485,486,032)	(77,079,058,341)
Proceeds from disposals of fixed assets	22	225,017,682	375,833,250
Placement of term deposits at banks	23	(1,178,000,000,000)	(8,892,400,000,000)
Payment for granting loans and other investment	23	(1,400,000,000,000)	-
Withdrawal of term deposits at banks	24	1,623,000,000,000	8,447,400,000,000
Receipts from collecting loans and other investment	24	1,400,000,000,000	-
Acquisition of a subsidiary, net of cash acquired	25	-	(11,555,624,763)
Receipts of interest	27	92,531,067,423	65,263,137,442
Net cash flows from investing activities	30	520,270,599,073	(467,995,712,412)

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 2017

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 2017 comprise the Company and its subsidiary (collectively referred to as “the Group”).

(b) Principal activities

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

(c) Normal operating cycle

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

(d) Group structure

As at 31 December 2017, the Group has 1 subsidiary (1/1/2017: the Group had 1 subsidiary). Detail information of the subsidiary are described as follows:

Name	Principal activities	Address	Percentage of economic interests and voting rights	
			31/12/2017	1/1/2017
CDN Production Trading Corporation	Beverage manufacturing and trading	Lot C I.III-3+5+7, Long Thanh industrial zone, Tam An commune, Long Thanh district, Dong Nai province, Vietnam.	85%	85%

The subsidiary is incorporated in Vietnam.

As at 31 December 2017, the Group had 346 employees (1/1/2017: 423 employees).

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidation financial statements for the year ended 31 December 2017
(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 2017 were brought forward from the audited figures as at 31 December 2016.

3. Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiary

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

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2017
(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.

(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.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2017
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(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 receivable from customers and other receivables

Accounts receivable 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 direct 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 2017
(continued)

Form B 09 – DN/HN
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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 – 20 years
▪ office equipment	3 – 7 years
▪ motor vehicles	5 – 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 remaining term of the lease of 43 years.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2017
(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.

Severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more ("the eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employee's compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their average salary for the six-month period prior to the end of the annual accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Group are excluded.

VinaCafé Bien Hoa Joint Stock Company and its subsidiary
Notes to the consolidated financial statements for the year ended 31 December 2017
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
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(n) Share capital and share premium

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

(o) Taxation

Income tax on the consolidated profit or loss for the 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.

(p) Revenue

(i) Sales of goods

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

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(ii) Rental income

Rental income from leased property is recognised in the consolidated statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(q) Financial income and financial expenses

(i) Financial income

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

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

(ii) Financial expenses

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

Borrowing costs are recognised as an expense in the 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.

(r) Operating lease payments

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

(s) Earnings per share

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

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

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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.

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

4. Segment reporting

(a) Business segments

The Group operates in the following main business segments:

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

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

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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

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

(b) Geographical segments

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

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5. Cash and cash equivalents

	31/12/2017	1/1/2017
	VND	VND
Cash on hand	106,401,725	66,338,875
Cash at banks	11,708,284,904	5,129,363,018
Cash equivalents	2,483,900,000,000	1,609,100,000,000
	<hr/>	<hr/>
Cash and cash equivalents in the consolidated statement of cash flows	2,495,714,686,629	1,614,295,701,893
	<hr/>	<hr/>

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

6. Held-to-maturity investments

	31/12/2017	1/1/2017
	VND	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.

7. Other receivables

(a) Other short-term receivables

	31/12/2017	1/1/2017
	VND	VND
Accrued interest receivable from deposits at banks	4,334,283,333	5,589,688,889
Short-term deposits	1,132,677,200	770,340,000
Others	504,935,190	104,842,310
	<hr/>	<hr/>
	5,971,895,723	6,464,871,199
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(b) Other long-term receivables

	31/12/2017	1/1/2017
	VND	VND
Long-term deposits	199,160,000	787,337,200

8. Inventories

	31/12/2017		1/1/2017	
	Cost	Allowance	Cost	Allowance
	VND	VND	VND	VND
Goods in transit	21,040,427,795	-	8,995,171,080	-
Raw materials	155,070,062,658	(128,614,804)	77,283,049,615	(1,906,172,751)
Tools and supplies	7,819,180,031	-	9,303,833,294	-
Finished goods	91,653,447,622	(1,770,408,875)	99,386,124,065	(983,730,517)
Merchandise inventories	2,526,607,676	(332,208)	879,782,039	-
	278,109,725,782	(1,899,355,887)	195,847,960,093	(2,889,903,268)

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

	2017	2016
	VND	VND
Opening balance	2,889,903,268	6,617,541,636
Increase in allowance during the year	9,288,766,839	14,760,022,812
Allowance utilised during the year	(10,244,358,172)	(18,020,274,904)
Written back	(34,956,048)	(467,386,276)
Closing balance	1,899,355,887	2,889,903,268

Included in inventories of the Group at 31 December 2017 was VND1,899 million (1/1/2017: VND2,890 million) of slow-moving inventories.

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9. Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
Cost					
Opening balance	203,621,464,636	785,238,921,190	3,015,921,125	4,973,055,399	996,849,362,350
Additions during the year	-	115,000,000	73,400,000	-	188,400,000
Transfer from construction in progress	-	77,197,824,053	315,803,350	18,957,522	77,532,584,925
Disposals	-	(3,270,008,647)	-	(506,057,250)	(3,776,065,897)
Closing balance	203,621,464,636	859,281,736,596	3,405,124,475	4,485,955,671	1,070,794,281,378
Accumulated depreciation					
Opening balance	39,451,334,717	286,056,934,911	2,533,223,252	3,358,444,650	331,399,937,530
Charge for the year	12,661,769,169	64,007,909,746	363,810,831	426,549,185	77,460,038,931
Disposals	-	(3,142,197,472)	-	(506,057,250)	(3,648,254,722)
Closing balance	52,113,103,886	346,922,647,185	2,897,034,083	3,278,936,585	405,211,721,739
Net book value					
Opening balance	164,170,129,919	499,181,986,279	482,697,873	1,614,610,749	665,449,424,820
Closing balance	151,508,360,750	512,359,089,411	508,090,392	1,207,019,086	665,582,559,639

Included in the cost of tangible fixed assets were assets costing VND162,481 million which were fully depreciated as of 31 December 2017 (1/1/2017: VND141,939 million), but which are still in active use.

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10. Intangible fixed assets

	Software VND	Brand name VND	Total VND
Cost			
Opening balance	1,004,073,640	876,285,239	1,880,358,879
Transfer from construction in progress	300,000,000	-	300,000,000
Closing balance	1,304,073,640	876,285,239	2,180,358,879
Accumulated amortisation			
Opening balance	1,004,073,640	72,164,666	1,076,238,306
Charge for the year	8,333,333	123,710,856	132,044,189
Closing balance	1,012,406,973	195,875,522	1,208,282,495
Net book value			
Opening balance	-	804,120,573	804,120,573
Closing balance	291,666,667	680,409,717	972,076,384

Included in the cost of intangible fixed assets were assets costing VND1,004 million which were fully depreciated as of 31 December 2017 (1/1/2017: VND1,004 million), but are still in active use.

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11. Construction in progress

	2017 VND
Opening balance	69,877,443,965
Additions during the year	21,654,878,874
Transfer to tangible fixed assets	(77,532,584,925)
Transfer to intangible fixed assets	(300,000,000)
Transfer to long-term prepaid expenses	(5,438,415,536)
	2,261,322,378
Closing balance	8,261,322,378

Major constructions in progress were as follows:

	31/12/2017 VND	1/1/2017 VND
Machinery and equipment	8,261,322,378	69,877,443,965

12. Long-term prepaid expenses

	Prepaid land costs VND	Tools and supplies VND	Total VND
Opening balance	15,305,945,549	10,164,761,836	25,470,707,385
Additions during the year	-	488,570,552	488,570,552
Transfer from construction in progress	-	5,438,415,536	5,438,415,536
Disposals	-	(17,471,531)	(17,471,531)
Amortisation for the year	(402,788,040)	(6,923,181,215)	(7,325,969,255)
	14,903,157,509		
Closing balance	14,903,157,509	9,151,095,178	24,054,252,687

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13. Deferred tax assets

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

	31/12/2017	1/1/2017
	VND	VND
Accrued advertising and promotion expenses	22,546,637,213	23,885,586,840
Accrued logistic expenses	2,641,753,399	1,834,998,172
Accrued sales discounts	3,628,140,556	1,182,383,193
Urealised profits	58,906,571	227,462,349
Other accruals	2,767,539,199	1,845,345,063
	<hr/>	<hr/>
	31,642,976,938	28,975,775,617
	<hr/>	<hr/>

14. Goodwill

	2017
	VND
Cost	
Opening and closing balances	27,176,107,031
	<hr/>
Accumulated amortisation	
Opening balance	1,585,272,913
Charge for the year	2,717,610,708
	<hr/>
Closing balance	4,302,883,621
	<hr/>
Net book value	
Opening balance	25,590,834,118
Closing balance	22,873,223,410
	<hr/>

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15. Accounts payable to suppliers

(a) Accounts payable to suppliers classified by payment term

	31/12/2017		1/1/2017	
	Cost VND	Amount within payment capacity VND	Cost VND	Amount within payment capacity VND
Short-term	392,142,293,178	392,142,293,178	342,122,116,780	342,122,116,780

(b) Accounts payable to suppliers who are related parties

	31/12/2017		1/1/2017	
	Cost VND	Amount within payment capacity VND	Cost VND	Amount within payment capacity VND
The parent of parent company				
▪ Masan Consumer Corporation	91,698,614,861	91,698,614,861	111,640,198,333	111,640,198,333
Other related parties				
▪ Vinh Hao Mineral Water Corporation	40,235,273,390	40,235,273,390	38,631,849,379	38,631,849,379
▪ Masan Industrial One Member Company Limited	10,384,145,679	10,384,145,679	2,002,149,996	2,002,149,996

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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16. Taxes payable to State Treasury

	1/1/2017 VND	Incurred VND	Paid/refunded VND	Deducted VND	Reclassification VND	31/12/2017 VND
Value added tax	34,424,926,330	312,013,022,613	(126,973,205,997)	(220,933,958,658)	1,469,215,712	-
Corporate income tax	34,437,721,756	86,598,179,818	(94,522,860,729)	-	-	26,513,040,845
Personal income tax	258,824,849	1,853,146,781	(1,984,073,914)	-	-	127,897,716
Import tax	-	4,819,570,488	(4,819,570,488)	-	-	-
Other taxes	-	18,165,802,787	(18,165,802,787)	-	-	-
	<hr/> 69,121,472,935	423,449,722,487	(246,465,513,915)	(220,933,958,658)	1,469,215,712	<hr/> 26,640,938,561 <hr/>

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17. Accrued expenses

	31/12/2017	1/1/2017
	VND	VND
Advertising and promotion expenses	131,957,794,807	158,942,644,197
Logistics expenses	15,199,962,019	12,011,662,043
Sales discounts	20,875,377,191	7,739,728,317
Market research expenses	4,318,011,343	5,245,604,249
Bonus and 13 th month salary	8,167,950,513	9,019,082,037
Purchases not yet received invoices	1,211,168,861	5,800,034,813
Exhibition expenses	1,886,733,817	1,210,431,934
Construction in progress	1,804,664,200	157,000,000
Accrued interest expenses	1,426,301,966	411,433,955
Others	4,815,319,899	6,298,064,172
	<hr/>	<hr/>
	191,663,284,616	206,835,685,717
	<hr/>	<hr/>

18. Other payables

(a) Other short-term payables

	31/12/2017	1/1/2017
	VND	VND
Dividend payables to parent company	1,200,921,084,000	-
Dividend payables to non-controlling interest	553,301,826,000	-
Short-term deposits received	1,093,187,218	1,115,638,268
Social insurance, health insurance, unemployment insurance and trade union fees	222,848,390	253,685,303
Others	743,947,898	843,485,686
	<hr/>	<hr/>
	1,756,282,893,506	2,212,809,257
	<hr/>	<hr/>

(b) Other long-term payables

	31/12/2017	1/1/2017
	VND	VND
Long-term deposits received	1,011,020,719	1,858,208,677
	<hr/>	<hr/>

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19. Short-term borrowings

	1/1/2017		Movement during the year		31/12/2017	
	Carrying amount VND	Amount within repayment capacity VND	Addition VND	Decrease VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	340,379,924,443	340,379,924,443	1,292,951,910,366	(1,226,170,190,441)	407,161,644,368	407,161,644,368

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

	Currency	Annual interest rate	31/12/2017 VND	1/1/2017 VND
Unsecured bank loan	VND	3.4% – 4.8%	407,161,644,368	340,379,924,443

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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	Non- controlling interests VND	Total owners' equity VND
Balance at 1 January 2016	265,791,350,000	29,974,241,968	213,510,848,947	1,259,419,681,720	-	1,768,696,122,635
Net 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	-	-	-	-	1,380,686,995	1,380,686,995
Balance at 1 January 2017	265,791,350,000	29,974,241,968	213,510,848,947	1,642,561,068,149	(1,740,706,214)	2,150,096,802,850
Net profit for the year	-	-	-	372,493,876,137	(3,151,039,982)	369,342,836,155
Dividends (Note 22)	-	-	-	(1,754,222,910,000)	-	(1,754,222,910,000)
Balance at 31 December 2017	265,791,350,000	29,974,241,968	213,510,848,947	260,832,034,286	(4,891,746,196)	765,216,729,005

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21. Share capital and share premium

The Company's authorised and issued share capitals are:

	31/12/2017		1/1/2017	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital				
Ordinary shares	26,579,135	265,791,350,000	26,579,135	265,791,350,000
Shares in circulation				
Ordinary shares	26,579,135	265,791,350,000	26,579,135	265,791,350,000
Share premium	-	29,974,241,968	-	29,974,241,968

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

There were no movements in share capital during the year.

22. Dividends

On 5 December 2017, the Board of Directors resolved to advance dividends by cash amounting to VND1,754,222 million (1/1/2017: Nil).

23. Investment and development fund

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

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24. Off balance sheet items

(a) Lease commitments

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

	31/12/2017	1/1/2017
	VND	VND
Within 1 year	6,049,348,200	16,795,146,400
Within 2 to 5 years	5,810,136,000	8,933,421,400
	<hr/>	<hr/>
	11,859,484,200	25,728,567,800
	<hr/>	<hr/>

(b) Foreign currency

	31/12/2017		1/1/2017	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	56,025	1,269,529,446	161,941	3,679,293,840
		<hr/>		<hr/>

(c) Capital expenditure commitments

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

	31/12/2017	1/1/2017
	VND	VND
Approved but not contracted	2,748,510,000	16,580,764,897
Approved and contracted	190,950,000	3,274,340,479
	<hr/>	<hr/>
	2,939,460,000	19,855,105,376
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25. 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.

	2017 VND	2016 VND
Net revenue comprised:		
Total revenue		
▪ Sales of goods	3,339,522,332,691	3,387,061,872,527
▪ Other sales	723,231,675	6,859,117,308
	<hr/> 3,340,245,564,366	<hr/> 3,393,920,989,835
Less revenue deductions		
▪ Sales discounts	50,514,661,505	59,100,480,565
▪ Sales returns	40,886,316,984	25,097,022,054
	<hr/> 91,400,978,489	<hr/> 84,197,502,619
Net revenue	<hr/> 3,248,844,585,877	<hr/> 3,309,723,487,216

26. Cost of sales

	2017 VND	2016 VND
Total cost of sales		
▪ Goods sold	2,019,682,779,112	2,095,433,813,451
▪ Other sales	685,141,421	2,208,367,603
▪ Allowance for inventories	9,253,810,791	14,292,636,536
	<hr/> 2,029,621,731,324	<hr/> 2,111,934,817,590

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27. Financial income

	2017	2016
	VND	VND
Interest income from deposits at banks	72,283,424,424	68,167,729,110
Interest income from loan receivables and other investment	18,992,237,443	-
Foreign exchange gains	697,438,161	2,080,384,694
Other financial income	-	2,509,999,666
	<hr/>	<hr/>
	91,973,100,028	72,758,113,470
	<hr/>	<hr/>

28. Financial expenses

	2017	2016
	VND	VND
Interest expenses	11,417,754,176	13,003,334,038
Foreign exchange losses	720,714,880	501,923,779
	<hr/>	<hr/>
	12,138,469,056	13,505,257,817
	<hr/>	<hr/>

29. Selling expenses

	2017	2016
	VND	VND
Advertising and promotion expenses	528,931,512,615	491,810,020,009
Management service charge	75,397,863,310	104,614,360,064
Logistics expenses	87,885,447,279	84,798,583,728
Exhibition expenses	13,067,874,524	12,707,811,019
Marketing research expenses	13,764,459,033	7,332,415,699
Staff costs	2,667,400,716	2,330,986,863
Other selling expenses	1,315,321,001	4,864,910,705
	<hr/>	<hr/>
	723,029,878,478	708,459,088,087
	<hr/>	<hr/>

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30. General and administration expenses

	2017	2016
	VND	VND
Management service charge	86,191,212,608	46,238,819,119
Staff costs	19,609,882,433	18,665,651,202
Research and development expenses	2,138,193,161	12,261,913,484
Depreciation and amortisation of fixed assets	713,407,132	1,006,290,057
Amortisation of goodwill	2,717,610,708	1,585,272,913
Leased line system and information technology services	453,295,921	903,234,693
Others expenses	11,113,999,850	12,304,454,470
	<hr/>	<hr/>
	122,937,601,813	92,965,635,938
	<hr/>	<hr/>

31. Production and business costs by element

	2017	2016
	VND	VND
Raw material costs included in production costs	1,741,362,744,889	1,808,171,985,110
Staff costs	88,996,299,149	87,947,332,873
Depreciation and amortisation	80,309,693,828	65,363,086,072
Outside services	895,482,614,712	803,344,838,895
Other expenses	69,437,859,037	148,532,298,665
	<hr/>	<hr/>

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32. Income tax

(a) Recognised in the consolidated statement of income

	2017	2016
	VND	VND
Current tax expense		
Current year	84,170,343,268	80,470,348,143
Under provision in prior years	2,427,836,550	480,080,680
	<hr/>	<hr/>
	86,598,179,818	80,950,428,823
	<hr/>	<hr/>
Deferred tax income		
Origination and reversal of temporary differences	1,493,434,049	(3,538,243,296)
Effect of change in tax rate	(4,160,635,370)	(3,038,423,709)
	<hr/>	<hr/>
	(2,667,201,321)	(6,576,667,005)
	<hr/>	<hr/>
Income tax expense	83,930,978,497	74,373,761,818

(b) Reconciliation of effective tax rate

	2017	2016
	VND	VND
Accounting profit before tax	453,273,814,652	455,322,507,038
	<hr/>	<hr/>
Tax at the Company's tax rate	90,654,762,931	68,298,376,056
Effect of change in tax rate	(4,160,635,370)	(3,038,423,709)
Effect of amortisation of goodwill	543,522,140	317,054,583
Effect of different tax rate applied to subsidiary	-	2,227,017,615
Non-deductible expenses	1,283,762,777	728,726,144
Effect of different tax rate applied to expansion project	(10,079,600,768)	1,176,537,561
Under provision in prior years	2,427,836,550	480,080,680
Deferred tax assets not recognised (*)	3,261,330,237	4,184,392,888
	<hr/>	<hr/>
	83,930,978,497	74,373,761,818

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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).

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

The normal corporate income tax rate applicable to enterprises before any incentives is 20% (2016: 20%).

(d) Tax contingencies

The taxation laws and their application in Vietnam are subject to interpretation and change over time as well as from one tax office to another. The final tax position may be subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Vietnam that are substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, including 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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33. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 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 VND372,493,876,137 (2016: VND384,070,138,429) and a weighted average number of ordinary shares outstanding of 26,579,135 (2016: 26,579,135), calculated as follows:

(i) Net profit attributable to ordinary shareholders

	2017	2016
	VND	VND
Net profit attributable to ordinary shareholders	372,493,876,137	384,070,138,429

(ii) Weighted average number of ordinary shares

	2017	2016
Weighted average number of ordinary shares at the end of the year	26,579,135	26,579,135

(iii) Basic earnings per share

	2017	2016
	VND	VND
Basic earnings per share	14,015	14,450

(b) Diluted earnings per share

At as 31 December 2017 and 1 January 2017, the Company did not have potential ordinary shares therefore the presentation of diluted earnings per share is not applicable.

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34. Significant transactions with related parties

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

	Transaction value		Receivables/(payables) as at	
	2017 VND	2016 VND	31/12/2017 VND	1/1/2017 VND
Parent of the parent company				
Masan Consumer Corporation				
Purchases of goods	50,226,623,671	52,849,360,374	(3,870,083,455)	(6,078,604,247)
Sales of goods	436,807,822	1,787,188,004	-	-
Management service charge	159,438,082,170	151,605,481,211	(87,828,531,406)	(105,559,512,066)
Parent company				
Masan Beverage Company Limited				
Dividends	1,200,921,084,000	-	(1,200,921,084,000)	-
Related parties				
Masan Industrial One				
Member Company Limited				
Sales of goods	418,635,488	241,604,088	6,999,300	1,399,860
Sales of fixed assets	83,124,995	-	91,437,495	-
Purchases of goods and service	15,115,615,812	3,588,244,500	(8,018,052,556)	(2,002,149,996)
Management service charge	2,150,993,748	1,440,000,000	(2,366,093,123)	-
Purchase of fixed assets	118,094,403	31,882,155	-	-

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	Transaction value		Receivables/(payables) as at	
	2017 VND	2016 VND	31/12/2017 VND	1/1/2017 VND
Vinh Hao Mineral Water Corporation				
Sales of goods	1,213,067,402	2,755,952,080	834,643,095	-
Purchases of goods	151,529,434,461	150,422,632,359	(22,218,429,105)	(17,639,556,739)
Purchase of service	88,482,480,192	90,376,154,736	(18,016,844,285)	(20,992,292,640)
Quang Ninh Mineral Water Corporation				
Sales of goods	-	81,103,321	-	-
Purchases of goods	-	6,772,989,600	-	-
Key management personnel				
Remunerations	1,623,309,867	2,058,256,000	-	-

As at 31 December 2017, the Group has current and term deposit accounts at Vietnam Technological and Commercial Joint Stock Bank at normal trading terms.

07 MAR 2018

Prepared by:



Hong Do Nguyen Thao
General Accountant

Approved by:



Phan Thi Thuy Hoa
Chief Accountant



Nguyen Tan Ky
Chief Executive Officer