

**Vietnam Dairy Products Joint Stock Company
and its subsidiaries**

Consolidated financial statements
for the year ended 31 December 2017

Vietnam Dairy Products Joint Stock Company and its subsidiaries

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Vietnam Dairy Products Joint Stock Company and its subsidiaries
Corporate Information

Business Registration Certificate No.	4103001932 0300588569	20 November 2003 23 June 2017
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The Company's business registration certificate has been amended several times, the most recent of which is by business registration certificate No. 0300588569 dated 23 June 2017. The business registration certification was issued by Ho Chi Minh City Planning and Investment Department.

Board of Management	Mdm Le Thi Bang Tam Mdm Mai Kieu Lien Mr Lee Meng Tat Mr Nguyen Hong Hien Ms Dang Thi Thu Ha Mr Le Thanh Liem Mr Michael Chye Hin Fah Mr Nguyen Ba Duong Mr Do Le Hung Mr Le Song Lai Ms Ngo Thi Thu Trang Mr Le Anh Minh	Chairwoman Member Member Member (from 15 April 2017) Member (from 15 April 2017) Member (from 15 April 2017) Member (from 15 April 2017) Member (from 15 April 2017) Member (from 15 April 2017) Member (until 14 April 2017) Member (until 14 April 2017) Member (until 14 April 2017)
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Board of Directors	Mdm Mai Kieu Lien Ms Bui Thi Huong Mr Mai Hoai Anh Mr Le Thanh Liem Mr Phan Minh Tien Ms Nguyen Thi Thanh Hoa Ms Ngo Thi Thu Trang Mr Tran Minh Van Mr Nguyen Quoc Khanh Mr Trinh Quoc Dung	Chief Executive Officer Executive Director – Human Resource – Administration and Public Relation Executive Director – Sales Executive Director – Finance Executive Director – Marketing Executive Director – Supply chain Executive Director – Projects Executive Director – Production Executive Director – Research and Development Executive Director – Raw Materials Development
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Registered Office	10 Tan Trao, Tan Phu Ward District 7, Ho Chi Minh City Vietnam
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Auditor	KPMG Limited Vietnam
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Vietnam Dairy Products Joint Stock Company and its subsidiaries
Statement of the Board of Directors

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of the consolidated results of operations and consolidated cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and which enable these consolidated financial statements to be prepared which complies with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 4 to 60 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of the consolidated results of operations and 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.

On behalf of the Board of Directors



Mai Kieu Lien
Chief Executive Officer

Ho Chi Minh City, 30 January 2018

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Consolidated statement of financial position 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
ASSETS				
Current assets				
(100 = 110 + 120 + 130 + 140 + 150)	100		20,307,434,789,529	18,673,827,685,789
Cash and cash equivalents	110	V.2	963,335,914,164	655,423,095,436
Cash	111		834,435,914,164	599,923,095,436
Cash equivalents	112		128,900,000,000	55,500,000,000
Short-term financial investments	120		10,561,714,377,337	10,453,749,313,471
Trading securities	121	V.5(a)	443,130,811,523	443,132,521,486
Allowance for diminution in the value of trading securities	122	V.5(c)	(675,708,019)	(500,629,886)
Held-to-maturity investments	123	V.5(b)	10,119,259,273,833	10,011,117,421,871
Accounts receivable – short-term	130		4,591,702,853,157	2,866,683,958,798
Accounts receivable from customers	131	V.3(a)	3,613,981,838,047	2,191,348,458,582
Prepayments to suppliers	132		622,978,664,875	288,808,403,942
Other short-term receivables	136	V.4(a)	367,850,643,578	390,619,273,181
Allowance for doubtful debts	137	V.3(d)	(13,193,973,536)	(4,168,573,420)
Shortage of assets awaiting for resolution	139		85,680,193	76,396,513
Inventories	140	V.6	4,021,058,976,634	4,521,766,382,352
Inventories	141		4,041,302,638,611	4,538,439,873,598
Allowance for inventories	149		(20,243,661,977)	(16,673,491,246)
Other current assets	150		169,622,668,237	176,204,935,732
Short-term prepaid expenses	151	V.12(a)	51,933,181,113	59,288,353,847
Deductible value added tax	152		117,132,711,139	116,835,557,323
Taxes receivable from State Treasury	153		556,775,985	81,024,562

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Consolidated statement of financial position 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 + 230 + 240 + 250 + 260)	200		14,359,884,047,968	10,704,828,639,675
Accounts receivable – long-term	210		53,774,889,824	21,855,008,176
Long-term receivables from customers	211	V.3(b)	29,973,948,684	-
Long-term loan receivables	215		5,373,558,222	7,245,908,762
Other long-term receivables	216	V.4(b)	18,427,382,918	14,609,099,414
Fixed assets	220		10,609,309,098,847	8,321,053,086,713
Tangible fixed assets	221	V.9	10,290,516,618,864	7,916,322,992,944
Cost	222		18,917,435,800,484	14,257,738,667,127
Accumulated depreciation	223		(8,626,919,181,620)	(6,341,415,674,183)
Intangible fixed assets	227	V.10	318,792,479,983	404,730,093,769
Cost	228		469,549,338,561	557,891,027,713
Accumulated amortisation	229		(150,756,858,578)	(153,160,933,944)
Investment property	230	V.11	95,273,270,528	136,973,382,326
Cost	231		143,340,838,168	179,678,050,557
Accumulated depreciation	232		(48,067,567,640)	(42,704,668,231)
Long-term work in progress	240		1,928,569,256,697	993,111,642,018
Long-term work in progress	241	V.7	181,678,288,317	127,671,589,409
Construction in progress	242	V.8	1,746,890,968,380	865,440,052,609
Long-term financial investments	250		555,497,854,952	613,806,560,199
Investments in associates	252	V.5(c)	481,282,722,569	419,909,385,728
Equity investments in other entities	253	V.5(c)	82,336,523,394	11,387,476,240
Allowance for diminution in the value of long-term financial investments	254	V.5(c)	(8,121,391,011)	(7,490,301,769)
Held-to-maturity investments	255	V.5(b)	-	190,000,000,000
Other non-current assets	260		1,117,459,677,120	618,028,960,243
Long-term prepaid expenses	261	V.12(b)	612,134,810,005	459,395,057,029
Deferred tax assets	262	V.13(a)	30,394,768,880	34,650,812,752
Goodwill	269	V.14	474,930,098,235	123,983,090,462
TOTAL ASSETS (270 = 100 + 200)	270		34,667,318,837,497	29,378,656,325,464

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Consolidated statement of financial position 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)

RESOURCES

LIABILITIES (300 = 310 + 330)	300		10,794,261,023,636	6,972,707,036,879
Current liabilities	310		10,195,562,827,092	6,457,497,982,894
Accounts payable to suppliers	311	V.15	3,965,691,123,157	2,561,910,262,979
Advances from customers	312		360,182,469,422	35,951,866,026
Taxes payable to State Treasury	313	V.17	383,314,082,997	255,510,130,860
Payables to employees	314		205,722,836,953	192,349,429,102
Accrued expenses	315	V.18	1,528,287,945,458	1,025,974,683,705
Short-term unearned revenue	318		7,344,630,678	3,360,079,979
Other short-term payables	319	V.19	2,783,824,177,984	592,099,957,922
Short-term borrowings	320	V.16(a)	268,102,046,087	1,332,666,200,200
Provision – short-term	321		603,744,795	889,995,571
Bonus and welfare fund	322	V.20	692,489,769,561	456,785,376,550
Long-term liabilities	330		598,698,196,544	515,209,053,985
Long-term unearned revenue	336		1,039,560,218	1,663,272,218
Other long-term payables	337		16,567,661,700	589,208,918
Long-term borrowings	338	V.16(b)	274,949,439,387	326,970,398,182
Deferred tax liabilities	341	V.13(b)	203,618,107,064	90,025,589,500
Provision – long-term	342	V.21	102,523,428,175	95,960,585,167
EQUITY (400 = 410)	400		23,873,057,813,861	22,405,949,288,585
Owners' equity	410	V.22	23,873,057,813,861	22,405,949,288,585
Share capital	411	V.23	14,514,534,290,000	14,514,534,290,000
Share premium	412		260,699,620,761	260,699,620,761
Treasury shares	415		(7,159,821,800)	(1,176,335,920)
Foreign exchange differences	417		18,367,457,133	5,654,693,453
Investment and development fund	418		2,851,905,410,228	1,797,019,925,588
Retained profits	420		5,736,920,629,462	5,591,831,510,779
- Retained profits brought forward	421a		2,646,643,972,283	2,928,776,175,324
- Profit for the current year	421b		3,090,276,657,179	2,663,055,335,455
Non-controlling interest	429		497,790,228,077	237,385,583,924
TOTAL RESOURCES	440		34,667,318,837,497	29,378,656,325,464
(440 = 300 + 400)				

30 January 2018

Prepared by:



Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
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	Three-month period ended		Year ended	
			31/12/2017 VND	31/12/2016 VND	31/12/2017 VND	31/12/2016 VND
Revenue from sales of goods and provision of services	01	VI.1	12,365,038,508,333	11,838,267,527,921	51,134,899,765,079	46,965,003,101,825
Revenue deductions	02	VI.1	14,670,351,193	30,656,778,415	93,823,879,970	170,663,701,551
Net revenue (10 = 01 - 02)	10	VI.1	12,350,368,157,140	11,807,610,749,506	51,041,075,885,109	46,794,339,400,274
Cost of sales	11	VI.2	6,746,495,866,265	6,327,315,699,575	26,806,931,066,476	24,458,633,395,995
Gross profit (20 = 10 - 11)	20		5,603,872,290,875	5,480,295,049,931	24,234,144,818,633	22,335,706,004,279
Financial income	21	VI.3	198,187,222,069	194,133,215,944	816,316,778,535	722,560,775,263
Financial expenses	22	VI.4	12,485,879,856	33,702,023,732	87,037,548,276	102,450,313,571
<i>In which: Interest expense</i>	23		<i>5,015,216,618</i>	<i>19,574,144,919</i>	<i>29,438,568,563</i>	<i>46,499,350,049</i>
Share of profit/(loss) in associates	24	V.5(c)	23,150,316,782	(6,270,069,878)	67,133,981,642	16,478,714,797
Selling expenses	25	VI.7	3,200,002,985,773	3,192,490,113,496	11,536,533,571,799	10,758,752,992,255
General and administration expenses	26	VI.8	528,231,353,057	296,402,762,521	1,267,606,271,090	1,053,251,528,978
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		2,084,489,611,040	2,145,563,296,248	12,226,418,187,645	11,160,290,659,535
Other income	31	VI.5	60,761,998,456	94,658,510,605	213,080,586,430	182,321,601,244
Other expenses	32	VI.6	59,430,569,541	36,051,875,486	210,553,389,939	104,985,689,883
Results of other activities (40 = 31 - 32)	40		1,331,428,915	58,606,635,119	2,527,196,491	77,335,911,361

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
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	Three-month period ended		Year ended	
			31/12/2017	31/12/2016	31/12/2017	31/12/2016
			VND	VND	VND	VND
Profit before tax (50 = 30 + 40)	50		2,085,821,039,955	2,204,169,931,367	12,228,945,384,136	11,237,626,570,896
Income tax benefit – current	51	VI.10	352,559,669,748	377,978,824,943	1,967,066,705,229	1,883,267,418,844
Income tax expense/(benefit) – deferred	52	VI.10	3,947,883,514	(2,096,140,601)	(16,295,874,259)	(9,470,625,438)
Net profit after tax (60 = 50 - 51 - 52)	60		1,729,313,486,693	1,828,287,247,025	10,278,174,553,166	9,363,829,777,490
Attributable to:						
Equity holders of the Company	61		1,744,612,719,962	1,828,963,840,162	10,295,665,148,846	9,350,329,130,383
Non-controlling interest	62		(15,299,233,269)	(676,593,137)	(17,490,595,680)	13,500,647,107
Basic earnings per share	70	VI.11	1,070	1,136	6,355	5,831

30 January 2018

Prepared by:



Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries

**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	Note	2017 VND	2016 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		12,228,945,384,136	11,237,626,570,896
Adjustments for				
Depreciation and amortisation	02		1,299,870,153,900	1,190,837,007,934
Allocation of goodwill	02		24,621,398,026	18,361,924,596
Allowances and provisions	03		9,211,986,688	24,851,964,200
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		3,716,375,078	(1,318,867,186)
Losses on disposals of fixed assets, investment properties and construction in progress	05		11,626,288,383	23,313,975,174
Dividends and interest income	05		(770,127,530,460)	(660,177,839,434)
Share of profit in associates	05		(67,133,981,642)	(16,478,714,797)
Interest expense	06	VI.4	29,438,568,563	46,499,350,049
Operating profit before changes in working capital	08		12,770,168,642,672	11,863,515,371,432
Change in receivables	09		(1,599,146,216,641)	(183,074,482,860)
Change in inventories	10		318,469,641,939	(1,036,885,160,204)
Change in payables and other liabilities	11		958,729,788,071	330,394,544,447
Change in prepaid expenses	12		(9,999,654,740)	84,053,128,168
Change in trading securities	13		-	11,421,007,510
Interest paid	14		(65,131,015,206)	(34,203,620,310)
Income tax paid	15	V.17	(1,933,509,580,614)	(1,771,242,504,991)
Other payments for operating activities	17		(837,987,080,389)	(874,196,976,859)
Net cash flows from operating activities	20		9,601,594,525,092	8,389,781,306,333

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries

**Consolidated statement of cash flows for the year ended 31 December 2017
(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	Note	2017 VND	2016 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(2,672,989,490,186)	(1,141,612,752,349)
Collections on disposals of fixed assets and other long-term assets	22		120,711,406,540	50,326,954,998
Payments for time deposits	23		(218,248,720,396)	(1,448,667,704,487)
Payments for granting loans	23		-	(1,672,208,413)
Receipts from collecting loans	24		1,872,350,540	-
Proceeds from sales of debt instruments of other entities	24		300,000,000,000	-
Payments for investments in other entities	25		(86,830,000,000)	(8,100,000,000)
Collections from investments in other entities	26		23,329,037,647	1,800,000,000
Receipts of interest and dividends	27		754,960,073,066	602,139,063,443
Increase from business acquisition			6,206,321,842	-
Net cash flows from investing activities	30		(1,770,989,020,947)	(1,945,786,646,808)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from equity issued	31		-	354,965,040,720
Payments for repurchase of treasury shares	32		(5,983,485,880)	(1,176,335,920)
Payments to acquire additional interests in a subsidiary from non-controlling interest	32		(276,417,487,058)	(68,145,358,428)
Proceeds from borrowings	33	V.16	2,777,050,122,470	4,071,885,136,592
Payments to settle loan principals	34	V.16	(4,224,186,861,900)	(4,260,046,315,599)
Payments of dividends	36		(5,805,807,717,105)	(7,238,478,492,000)
Net cash flows from financing activities	40		(7,535,345,429,473)	(7,140,996,324,635)

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries

Consolidated statement of cash flows for the year ended 31 December 2017
(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	Note	2017 VND	2016 VND
Net cash flows during the year (50 = 20 + 30 + 40)	50		295,260,074,672	(697,001,665,110)
Cash and cash equivalents at the beginning of the year	60		655,423,095,436	1,358,682,600,684
Effect of exchange rate fluctuations on cash and cash equivalents	61		(707,624,645)	(35,888,530)
Currency translation differences	62		13,360,368,701	(6,221,951,608)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61 + 62)	70	V.2	963,335,914,164	655,423,095,436

30 January 2018

Prepared by:



Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

Approved by:



Mai Kieu Lien
Chief Executive Officer

Vietnam Dairy Products Joint Stock Company and its subsidiaries
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 the accompanying consolidated financial statements.

I. CORPORATE INFORMATION

1. Ownership structure

Vietnam Dairy Products Joint Stock Company (“the Company”) is incorporated as a joint stock company in Vietnam.

The major milestones related to the establishment and development of the Company and its subsidiaries (collectively referred to as “the Group”) are recognised as follows:

- 29 April 1993: Vietnam Dairy Products Company was established according to Decision No. 420/CNN/TCLD issued by the Ministry of Light Industry in form of a State-owned Enterprise.
- 1 October 2003: The Company was equitised from a State-owned Enterprise of the Ministry of Industry according to Decision No. 155/2003/QĐ-BCN.
- 20 November 2003: The Company was registered to be a joint stock company and began operating under Enterprise Laws of Vietnam and its Business Registration Certificate No. 4103001932 was issued by Ho Chi Minh City Investment and Planning Department.
- 28 December 2005: The State Securities Commission of Vietnam issued Listed Licence No. 42/UBCK-GPNY.
- 19 January 2006: The Company’s shares was listed on Ho Chi Minh City Stock Exchange.
- 12 December 2006: International Real Estates One Member Limited Company was established in accordance with the Business License No. 4104000260 issued by the Department of Investment and Planning of Ho Chi Minh City.
- 14 December 2006: Vietnam Dairy Cow One Member Limited Company was established in accordance with the Business License No. 150400003 issued by the Department of Planning and Investment of Tuyen Quang Province.
- 26 February 2007: Lam Son Dairy Joint Stock Company was established in accordance with the Business License No. 2603000521 issued by the Department of Planning and Investment of Thanh Hoa Province.
- 24 June 2010: Lam Son Dairy Joint Stock Company was renamed as Lam Son Dairy One Member Company Limited.
- 30 September 2010: Dielac Dairy One Member Company Limited was established based on the re-registration of F&N Food Vietnam Limited Company in accordance with the Investment Certificate No. 463041000209 issued by the Management of Vietnam – Singapore Industrial Park.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
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
dated 22 December 2014 of the Ministry of Finance)*

- 18 September 2012: Vietnam Dairy Products Joint Stock Company issued the Decision No. 2482/QD-CTS.KSNB/2012 on the liquidation of the Dielac Dairy One Member Limited Company to establish a dependent branch of Vietnam Dairy Products Joint Stock Company. On 25 September 2012, the Management of Vietnam – Singapore Industrial Park issued the Decision No. 37/QD-BQL on the termination of operating activities of Dielac Dairy One Member Limited Company. In July 2013, Dielac Dairy One Member Limited Company had finalised its process of liquidation.
- 21 October 2013: Thong Nhat Thanh Hoa Dairy Cow Limited Company was established in accordance to Business Registration Certificate No. 2801971744 issued by the Department of Investment and Planning of Thanh Hoa Province.
- 6 December 2013: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 663/BKHĐT-ĐTRNN issued by the Ministry of Investment and Planning, investing in Driftwood Dairy Holdings Corporation in California, the United States of America. As at 31 December 2013, the Company completed a transfer of its investment of USD7 million and held 70% of ownership in Driftwood Dairy Holdings Corporation.
- 6 January 2014: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 667/BKHĐT-ĐTRNN issued by the Ministry of Investment and Planning, investing in Angkor Dairy Products Co., Ltd. in Phnompenh, Cambodia with 51% of ownership.
- 30 May 2014: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 709//BKHĐT-ĐTRNN issued by the Ministry of Investment and Planning, to establish Vinamilk Europe sp.z.o.o in Poland with 100% of ownership.
- 24 February 2014: The Board of Management of Vietnam Dairy Products Joint Stock Company issued the resolution to liquidate International Real Estate One Member Limited Company. On 14 January 2015, the Department of Planning and Investment of Ho Chi Minh City issued the Notice No. 14191/15 to liquidate International Real Estate One Member Limited Company.
- 19 May 2016: Vietnam Dairy Products Joint Stock Company received the Foreign Investment Certificate No. 201600140 issued by the Ministry of Investment and Planning, approved additional investment in Driftwood Dairy Holdings Corporation. As at 30 June 2016, the Company completed a transfer of its investment of USD3 million, bringing the total investment to USD10 million and increased ownership percentage in Driftwood Dairy Holdings Corporation from 70% to 100%.
- 19 January 2017: Vietnam Dairy Products Joint Stock Company received its 25th revised Business Registration certificate dated 18 January 2017, issued by the Ho Chi Minh Department of Planning & Investment. Accordingly, Lamson Dairy Products One member Company Limited was merged into Vietnam Dairy Products Joint Stock Company (prior to the merger, it was a 100% subsidiary owned by the Company). The Company completed the merger on 1 March 2017.

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- 31 July 2017: On 23 March 2017, the Company received its first revised offshore investment registration certificate dated 10 March 2017 issued by the Ministry of Planning and Investment of Vietnam, in relation to Angkor Dairy Products Co., Ltd. (“Angkormilk”). Accordingly, the Company’s total investment capital increased from USD10,210,000 to USD20,995,390. The reason of capital increase was to purchase the entire capital contribution of the local partner in Angkormilk. As at 31 July 2017, the Company completed the transfer of its investment, bringing the total investment of USD20.9 million and increased ownership percentage in Angkormilk from 51% to 100%.
- 20 October 2017: On 30 September 2017, the Company entered into an agreement to acquire the remaining 3.89% of its owner's equity in Thong Nhat Thanh Hoa Limited Company from minority shareholders in this company. The transaction has been completed on 21 October 2017.
- 1 November 2017: On October 25, 2017, Vietnam Dairy Products Joint Stock Company has entered into an agreement to purchase newly issued shares of Khanh Hoa Sugar Joint Stock Company and then took 65% equity interest in it. The transaction has been completed on 01 November 2017. From 14 November 2017, Khanh Hoa Sugar Joint Stock Company changed its name to Viet Nam Sugar Joint Stock Company.

2. Principal activities

The principal activities of the Company are to:

- Process, manufacture and distribute milk cake, soya milk, fresh milk, refreshment drinks, bottled milk, powdered milk, nutritious powder and other products from milk;
- Trade in food technology, spare parts, equipment, materials and chemicals;
- Trade in real estate, owner or leasing land use rights (according to rule No. 11.3 of 2014 Real Estate Law);
- Trade in warehouse, yards;
- Provide internal transportation by cars for manufacturing and consuming Company’s products;
- Manufacture, sell and distribute beverages, grocery and processing foods, roasted-ground-filtered and instant coffee (not manufacturing and processing at the head office);
- Manufacture and sell plastic, packaging (not manufacturing at the head office);
- Provide health care clinic services (not at the head office);
- Raise cattle, cultivation;
- Retail sugar, milk and products from milk, bread, jam, candy and products processed from cereal, flour, starch and other food; and
- Retail alcoholic drinks, non-alcoholic drinks (carbonated and non-carbonated soft drinks), natural mineral water, low-alcoholic or non-alcoholic wine and beer.

3. Normal operating cycle

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

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4. Group structure

As at 31 December 2017, the Group had 6 subsidiaries and 3 associates (1 January 2017: 6 subsidiaries and 3 associates) and dependent units as follows:

(a) Subsidiaries

Name	Location	Principal activities	% of ownership/ voting rights
• Vietnam Dairy Cow One Member Limited Company	10 Tan Trao, Tan Phu Ward, District 7, Ho Chi Minh City	Dairy cow raising	100.00%
• Thong Nhat Thanh Hoa Dairy Cow Limited Company (*)	Ward 1, Thong Nhat Town, Yen Dinh District, Thanh Hoa Province	Milk production and cattle raising	100.00%
• Driftwood Dairy Holdings Corporation	No. 10724, Street Lower Azusa and El Monte Boulevards Intersection, California 91731-1390, United States	Milk production	100.00%
• Angkor Dairy Products Co., Ltd. (**)	Lot P2-096 and P2-097, Phnom Penh Special Economic Zone (PPSEZ), National Highway 4, Khan posenchey, Phnom Penh, Kingdom of Cambodia	Milk production	100.00%
• Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia	Ul. Gwiazdzista 7a/401-651 Warszawa, Poland	Trading Dairy raw materials and animal	100.00%
• Vietnam Sugar Jointstock Company (***)	Thuy Xuong Village, Suoi Hiep Commune, Dien Khanh District, Khanh Hoa Province	Sugar producing and refining	65.00%

(*) In September 2017, the Company has entered into an agreement to acquire the remaining 3.89% equity interest in this subsidiary. The transaction has been completed on 21 October 2017.

(**) In July 2017, the Company completed its acquisition of the remaining 49% equity interest in Angkor Dairy Products Co., Ltd. to have 100% ownership in this subsidiary

(***) In October 2017, the Company purchased newly issued shares of Khanh Hoa Sugar Joint Stock Company and then took 65% equity interest in it. From 14 November 2017, Khanh Hoa Sugar Joint Stock Company changed its name to Viet Nam Sugar Joint Stock Company.

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(b) Associates

Name	Location	Principal activities	% of ownership/ voting rights
• Miraka Limited	108 Tuwharetoa, Taupo, New Zealand	Milk production	22.81%
• APIS Corporation	No. 18A, VSIP II-A, 27 Street, Viet Nam – Singapore II-A Industrial Zone, Vinh Tan Ward, Tan Uyen District, Binh Duong Province	Food raw materials trading	18.00%
• Asia Coconuts Processing Joint Stock Company (*)	Giao Long Industrial Zone, Phase II, An Phuoc Commune, Chau Thanh District, Ben Tre Province, Vietnam	Coconut-based products manufacturing and trading	25.00%

(*) In December 2017, the Company completed its investment of 25% share capital of Asia Coconuts Processing Joint Stock Company (“ACP”).

(c) Dependent units

Sales branches:

- 1/ Vietnam Dairy Products Joint Stock Company’s Branch in Ha Noi – 11th Floor, Tower B, Handi Resco Building, 521 Kim Ma, Ngoc Khanh Ward, Ba Dinh District, Ha Noi City.
- 2/ Vietnam Dairy Products Joint Stock Company’s Branch in Da Nang – 7th Floor, Danang Post Office Tower, 271 Nguyen Van Linh, Vinh Trung Ward, Thanh Khe District, Da Nang City.
- 3/ Vietnam Dairy Products Joint Stock Company’s Branch in Can Tho – 77-77B Vo Van Tan, Tan An Ward, Ninh Kieu District, Can Tho City.

Manufacturing factories

- 1/ Thong Nhat Dairy Factory – 12 Dang Van Bi, Thu Duc District, Ho Chi Minh City.
- 2/ Truong Tho Dairy Factory – 32 Dang Van Bi, Thu Duc District, Ho Chi Minh City.
- 3/ Dielac Dairy Factory – Bien Hoa I Industrial Park, Dong Nai Province.
- 4/ Can Tho Dairy Factory – Tra Noc Industrial Park, Can Tho City.
- 5/ Sai Gon Dairy Factory – Tan Thoi Hiep Industrial Park, District 12, Ho Chi Minh City.
- 6/ Nghe An Dairy Factory – Sao Nam Street, Nghi Thu Commune, Cua Lo Town, Nghe An Province.
- 7/ Binh Dinh Dairy Factory – 87 Hoang Van Thu, Quang Trung Ward, Quy Nhon City, Binh Dinh Province.
- 8/ Vietnam Beverage Factory – My Phuoc II Industrial Park, Binh Duong Province.

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- 9/ Tien Son Dairy Factory – Tien Son Industrial Park, Bac Ninh Province.
- 10/ Da Nang Dairy Factory – Hoa Khanh Industrial Park, Da Nang City.
- 11/ Vietnam Powdered Milk Factory – 9 Tu Do Boulevard - Vietnam-Singapore Industrial Park, Thuan An District, Binh Duong Province.
- 12/ Vietnam Dairy Factory – My Phuoc II Industrial Park, Binh Duong Province.
- 13/ Lam Son Dairy Factory – Le Mon Industrial Zone, Thanh Hoa City, Thanh Hoa Province.

Warehouses

- 1/ Ho Chi Minh Logistic Enterprise – 32 Dang Van Bi, Thu Duc District, Ho Chi Minh City.
- 2/ Hanoi Logistic Enterprise – Km 10 Highway 5, Duong Xa Commune, Gia Lam District, Hanoi City.

Clinics

- 1/ An Khang General Clinic – 184-186-188 Nguyen Dinh Chieu, Ward 6, District 3, Ho Chi Minh City.

Raw milk center

- 1/ Branch of Vietnam Dairy Products Joint Stock Company's – Cu Chi Raw milk center - Lot B14-1, B14-2 D4, Dong Nam Industrial Zone, Hoa Phu Commune, Cu Chi District, Ho Chi Minh City.

As at 31 December 2017, the Group had 7,845 employees (1/1/2017: 6,981 employees).

II. ACCOUNTING PERIOD AND ACCOUNTING CURRENCY

1. Annual accounting period

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

2. Accounting currency

The Company's accounting currency is Vietnam Dong ("VND"), which is also the currency used for consolidated financial statement presentation purpose.

III. ACCOUNTING STANDARDS AND SYSTEM

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standard, the Vietnamese Accounting System for enterprises and the relevant statutory requirement applicable to financial reporting.

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2. Basis of measurement

The 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 is prepared using the indirect method.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies that have been adopted by the Group in the preparation of these consolidated financial statements are consistent with those adopted in the preparation of the latest consolidated annual financial statements.

1. Basis of consolidation

(a) Subsidiaries

Subsidiaries are those entities in which the Group has control over the financial and operating policies, generally evidenced by holding more than half of voting rights. In assessing control, exercisable potential voting rights are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) 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 owners. 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 retained profits under equity.

(c) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary when control is lost is stated at the carrying amount of the retained investment in the consolidated financial statements adjusted for appropriate shares of changes in equity of the investee since the acquisition date, if significant influence in the investee is maintained, or otherwise stated at cost.

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(d) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally evidenced by holding 20% to 50% of voting rights in these entities. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(e) 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. Unrealised gains and losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate.

(f) 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.

2. Foreign currency

(a) Foreign currency transactions

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

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and account transfer selling rate, respectively, at the end of the annual accounting period quoted by the commercial bank where the Company and its subsidiaries most frequently conduct transactions and has the largest outstanding balance of foreign currencies at the reporting date.

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

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to VND at exchange rates at the end of the annual accounting period. The income and expenses of foreign operations are translated to VND at average exchange rates of the year.

Foreign currency differences arising from the translation of foreign operations are recognised in the consolidated statement of financial position under the caption "Foreign exchange differences" in equity.

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3. 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.

4. Investments

(a) Trading securities

Trading securities are those held by the Group for trading purpose i.e. purchased for resale with the aim of making profits. Trading securities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at cost less allowance for diminution in value.

Trading securities shall be recorded when the Group acquires the ownership, in particular:

- Listed securities are recognised at the time of matching (T+0);
- Unlisted securities are recognised at the time the ownership is acquired as prescribed in the Vietnamese laws and regulations.

An allowance is made for diminution in value of trading securities if market price of the securities item falls below its carrying amount. The allowance is reversed if the market price subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(b) Held-to-maturity investments

Held-to-maturity investments are those that the Group's management has intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank, corporate bonds, redeemable preference shares which the issuers are required to repurchase at a certain date and granting loans held-to-maturity. These investments are stated at costs less allowance for diminution in the value.

All of investments classified as monetary items denominated in foreign currencies are revaluated at actual exchange rate at the reporting date.

(c) Loans receivable

Loan receivables are loan receivables under an agreement between parties but not being traded as securities in the market. Allowance for doubtful loans receivable is made for each of the doubtful debts based on overdue days in payment of principals according to initial debt commitment (exclusive of the debt rescheduling between contractors), or based on the estimated possible loss that may arise.

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(d) Investment in equity instruments of other entities

Investment in equity instruments of other entities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investments are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the Group's management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

5. Accounts receivable

Accounts receivable are monitored in detail of receivable terms, receivable parties, original currency and other factors depending on the Group's managerial requirements. Accounts receivable from customers include trade receivables arising from buying-selling transactions. Other receivables include non-trade receivables, not related to buying-selling transactions. Accounts receivable are classified as short-term and long-term in the consolidated statement of financial position based on the remaining year of these receivables at the reporting date.

Trade and other receivables are stated at cost less allowance for doubtful debts. Allowance for doubtful debts is made for each doubtful debt based on overdue days in payment of principals according to initial debt commitment (exclusive of the debts rescheduling between contracting parties), or based on expected loss that may arise.

Trade and other receivables classified as monetary items denominated in foreign currencies are revaluated at actual exchange rate at the reporting date.

6. 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.

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7. Tangible fixed assets

(a) 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 costs are 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.

(b) 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 – 50 years
▪ machinery and equipment	2 – 15 years
▪ motor vehicles	6 – 10 years
▪ office equipment	3 – 10 years
▪ livestock	6 years
▪ others	3 years

8. Intangible fixed assets

(a) Land use rights

Land use rights comprise:

- those granted by the State for which land use payments are collected;
- those acquired in a legitimate transfer; and
- rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use rights certificate issued by competent authority.

Definite lived land use rights are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over the valid term of land use rights certificate.

Indefinite lived land use rights are stated at cost and not amortised.

(b) Software

Cost of acquiring of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis over 2 – 6 years.

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(c) Others

Others represented trademark and customer relationship, which are acquired through business combination and are initially recognised at fair value. Trademark and customer relationship are amortised on a straight-line basis over 4 – 10 years.

9. Investment property

(a) Cost

Investment property held to earn rental is stated at cost less accumulated depreciation. The initial cost of an investment property held to earn rental comprises its purchase price, cost of land use rights and any directly attributable expenditure of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after the investment property held to earn rental has been put into operation, such as repair and maintenance, is charged to the consolidated statement of income in the year in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property held to earn rental, the expenditure is capitalised as an additional cost of the investment property.

(b) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property held to earn rental. The estimated useful lives are as follows:

- | | |
|-------------------|--------------|
| ▪ land use rights | 49 years |
| ▪ infrastructure | 10 years |
| ▪ buildings | 6 – 50 years |

Indefinite lived land use rights are stated at cost and not amortised.

10. Construction in progress

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

11. Prepaid expenses

(a) 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 Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, 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.

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(b) Tools and instruments

Tools and instruments 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 regulation. Cost of tools and instruments are amortised on a straight-line basis over 1 – 4 years.

(c) Others

Others are recorded at cost and amortised on a straight-line basis over their economic useful lives of 1 – 3 years.

12. Goodwill

Goodwill arises on the acquisition of subsidiaries, associates. Goodwill 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.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and is not amortised.

13. Trade and other payables

Accounts payable are monitored in details by payable terms, payable parties, original currency and other factors depending on the Group's managerial requirements. Account payables to suppliers include trade payables arising from transaction of buying-selling transactions and payables for import through entrustees (in import entrustment transactions). Other payables include non-trade payables, not related to buying-selling transactions. Accounts payable are classified as short-term and long-term in the consolidated statement of financial position based on the remaining year of these payables at the reporting date.

Trade and other payables are stated at their cost. Trade and other payables classified as monetary items denominated in foreign currencies are revaluated at actual exchange rate at the reporting date.

14. Accrued expenses

Accrued expenses include those made for goods, services received from suppliers in the annual accounting period but not yet paid due to the lack of receipts or supporting documents, are recognised as manufacturing and operating expense in the reporting year based on the term stated in the respective contracts.

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15. 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 Company are excluded.

16. Share capital

(a) Ordinary shares

Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from share premium.

(b) Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a reduction from equity. Repurchased shares are classified as treasury shares under equity. When treasury shares are sold for reissue subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

17. 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 the tax rates enacted or substantively enacted at the end of the annual accounting period.

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A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences 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.

18. Revenue and other income

(a) Goods sold

Revenue from the sale 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 is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

(b) Services rendered

Revenue from services rendered is recognised in the consolidated statement of income in proportion to the stage of completion of the transaction at the end of the annual accounting period. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(c) 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.

(d) Interest income

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

(e) Dividend income

Dividend income is recognized when the right to receive dividend is established.

(f) Revenue from disposal of short-term and long-term financial investments

Revenue from disposal of short-term and long-term financial investments is recognised in the consolidated statement of income when significant risks and rewards of ownership have been transferred to the buyer. Significant risks and rewards of ownership have been transferred upon the completion of trading transaction (for listed securities) or the completion of the agreement on transfer of assets (for non-listed securities).

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19. Revenue deductions

Revenue deductions included sales discounts, sales allowances and sales returns.

In case goods were sold or services were provided during the reporting year but the related sales discounts, sales allowances or sales returns were paid in the following year, revenue deductions are recognised in the reporting year only if such payments occur prior to the issuance of the consolidated financial statements.

20. Cost of sales

Cost of sales comprise the cost of products, goods, services provided during the year and is recognised corresponding to revenue. For cost of direct raw materials consumed which is over the normal level, labour cost, manufacturing overheads not allocated to finished goods are recorded directly into the cost of sales (after deducting compensations, if any) even if products and goods are not yet determined to be consumed.

21. 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.

22. Borrowing costs

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

23. Dividend distribution

The Group's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting and after making appropriation to reserve funds in accordance with the Company's Charter.

Dividends are declared and paid based on the estimated earnings of the year. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Company's Annual General Meeting.

24. Funds

Appropriation to equity funds is made in accordance with the Company's Charter as follows:

- | | |
|-----------------------------------|-------------------------|
| ▪ Bonus and welfare fund | 10% of profit after tax |
| ▪ Investment and development fund | 10% of profit after tax |

Utilisation of the above reserve funds requires approval of the shareholders, the Board of Directors or the Chief Executive Officer, depending on the nature and magnitude of the transactions involved as stated in the Company's Charter. When the fund is utilised for business expansion, the amount utilised is transferred to share capital.

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25. Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company (after appropriation to bonus and welfare fund for the annual accounting period) by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

26. 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 geographical segments.

27. Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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V. SUPPLEMENT INFORMATION TO ITEMS DISCLOSED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Business combination

In November 2017, the Company completed the acquisition of 65% equity interest of Khanh Hoa Sugar Joint Stock Company (“KSC”) for a total consideration of VND1,328,381,061,273, including transaction costs.

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

	Pre-acquisition carrying amounts VND	Fair value adjustments VND	Recognised value on acquisition VND
Cash and cash equivalents	8,587,383,115	-	8,587,383,115
Accounts receivable – short-term	1,436,282,100,956	-	1,436,282,100,956
Allowance for doubtful debts	(4,587,629,312)	-	(4,587,629,312)
Inventories	174,462,199,838	-	174,462,199,838
Allowance for inventories	(16,052,083,010)	-	(16,052,083,010)
Other current assets	1,756,233,865	-	1,756,233,865
Tangible fixed assets	937,631,439,709	667,660,285,205	1,605,291,724,914
<i>Cost</i>	<i>2,328,795,917,892</i>	<i>573,173,352,481</i>	<i>2,901,969,270,373</i>
<i>Accumulated depreciation</i>	<i>(1,391,164,478,183)</i>	<i>94,486,932,724</i>	<i>(1,296,677,545,459)</i>
Intangible fixed assets	2,170,298,294	3,697,854,856	5,868,153,150
<i>Cost</i>	<i>2,464,771,095</i>	<i>3,403,382,055</i>	<i>5,868,153,150</i>
<i>Accumulated depreciation</i>	<i>(294,472,801)</i>	<i>294,472,801</i>	-
Construction in progress	44,275,267,976	-	44,275,267,976
Equity investments in other entities	1,688,700,000	-	1,688,700,000
Allowance for diminution in the value of long-term financial investments	(527,076,663)	-	(527,076,663)
Taxes payable to State Treasury	(37,063,003,015)	-	(37,063,003,015)
Other current liabilities	(1,617,993,212,595)	-	(1,617,993,212,595)
Deferred tax liabilities	-	(134,271,628,012)	(134,271,628,012)
Provision – long-term	(1,851,507,401)	-	(1,851,507,401)
Net identifiable assets and liabilities	928,779,111,757	537,086,512,049	1,465,865,623,806
Share of net assets acquired			952,812,655,474
Goodwill on acquisition (note V.14)			375,568,405,799
Considerations paid			1,328,381,061,273
Cash acquired			8,587,383,115
Net cash outflow			1,319,793,678,158

Goodwill recognised on the acquisition is attributable mainly to synergies which management expect to realise by integrating KSC into the Group’s existing business.

The acquisition was on 1 November 2017. Therefore the contribution of revenue and net profit after tax of acquired business to the Group’s results during the period from acquisition date to 31 December 2017 is insignificant.

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2. Cash and cash equivalents

	31/12/2017	1/1/2017
	VND	VND
Cash on hand	2,451,074,646	1,355,443,244
Cash in bank	831,957,513,762	598,566,823,415
Cash in transit	27,325,756	828,777
Cash equivalents	128,900,000,000	55,500,000,000
	963,335,914,164	655,423,095,436

3. Accounts receivable from customers

(a) Short-term accounts receivables

	31/12/2017	1/1/2017
	VND	VND
Receivables from customers	3,613,981,838,047	2,191,348,458,582
	3,613,981,838,047	2,191,348,458,582

(b) Long-term accounts receivables

	31/12/2017	1/1/2017
	VND	VND
SIG Combiloc Ltd	29,973,948,684	-
	29,973,948,684	-

(c) Accounts receivable from related parties

	31/12/2017	1/1/2017
	VND	VND
Associate		
APIS Corporation	136,184,400	136,184,400

The trade related amounts due from the related party were unsecured, interest free and receivable on demand.

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(d) Allowance for doubtful debts

Movements in the allowance for doubtful debts during the year were as follows:

	2017 VND	2016 VND
Opening balance	(4,168,573,420)	(3,211,964,123)
Increase in allowance during the year	(5,847,869,352)	(2,503,289,567)
Increase from business acquisition (note V.1)	(4,587,629,312)	-
Allowance utilised during the year	1,404,130,066	1,588,624,041
Currency translation differences	5,968,482	41,943,771
Closing balance	(13,193,973,536)	(4,168,573,420)

4. Other receivables

(a) Other short – term receivables

	31/12/2017 VND	1/1/2017 VND
Interest income from deposits	297,901,556,067	269,061,980,250
Interest income from bonds	4,595,917,808	17,595,726,029
Receivables from employees	3,361,739,097	809,687,030
Advances to employees	2,791,137,549	3,185,564,959
Short-term deposits	29,053,532,031	9,449,358,271
Rebates receivable from suppliers	-	54,797,825,720
Import tax refundable	11,286,997,201	27,796,047,217
Others	18,859,763,825	7,923,083,705
	367,850,643,578	390,619,273,181

(b) Other long – term receivables

	31/12/2017 VND	1/1/2017 VND
Collateral, deposits	12,179,698,092	8,361,414,588
Others	6,247,684,826	6,247,684,826
	18,427,382,918	14,609,099,414

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5. Investments

(a) Trading securities

	Carrying amount	31/12/2017 Fair value	Allowance for diminution in value	Carrying amount	1/1/2017 Fair value	Allowance for diminution in value
	VND	VND	VND	VND	VND	VND
Short-term investments in shares:						
▪ Bao Viet Joint Stock Commercial Bank (*)	442,000,000,000	442,000,000,000	-	442,000,000,000	442,000,000,000	-
▪ Others	1,130,811,523	455,157,504	(675,708,019)	1,132,521,486	631,935,400	(500,629,886)
	443,130,811,523	442,455,157,504	(675,708,019)	443,132,521,486	442,631,935,400	(500,629,886)

(*) As at the reporting date, the Group has entered into a share purchase agreement to transfer its securities of Bao Viet Joint Stock Commercial Bank, the transaction has not completed (Note V.19). The carrying amount of the securities represented the expected realisable amount.

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(b) Held-to-maturity investments

	Note	31/12/2017 VND	1/1/2017 VND
Held-to-maturity investments – short-term			
▪ term deposits		9,929,259,273,833	9,711,117,421,871
▪ corporate bonds	(*)	190,000,000,000	300,000,000,000
		10,119,259,273,833	10,011,117,421,871
Held-to-maturity investments – long-term			
▪ term deposits		-	-
▪ corporate bonds	(*)	-	190,000,000,000
		-	190,000,000,000

- (*) The amount represented an investment in bonds issued by Ho Chi Minh Development Joint Stock Commercial Bank with an original maturity of 36 months from its placement dates. The bonds were unsecured, earned interest rates ranging from 8.075% to 8.175% per annum (for the year ended at 31 December 2016: from 7.500% to 8.075%) and are matured in September 2018.

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(c) Investments in other entities

		31 December 2017				1 January 2017		
	% of equity owned/ voting rights	Carrying amount VND	Fair value VND	Allowance for diminution in value VND	% of equity owned/ voting rights	Carrying amount VND	Fair value VND	Allowance for diminution in value VND
Associates								
▪ Miraka Limited	22.81%	383,002,013,497	(*)	-	22.81%	338,642,990,088	(*)	-
▪ Asia Saigon Food Ingredients Joint Stock Company (***)	-	-	-	-	14.71%	72,902,360,632	(*)	-
▪ Asia Coconuts Processing Joint Stock Company	25.00%	86,858,993,107	(*)	-	-	-	-	-
▪ APIS Corporation (**)	18.00%	11,421,715,965	(*)	-	18.00%	8,364,035,008	(*)	-
		<hr/>		<hr/>		<hr/>		<hr/>
		481,282,722,569		-		419,909,385,728		-
Others								
▪ Vietnam Growth Investment Fund (VF2)		10,270,276,240	(*)	(7,501,517,042)		10,270,276,240	(*)	(7,490,301,769)
▪ An Khang Clinic – Pharmacy		300,000,000	(*)	-		300,000,000	(*)	-
▪ Asia Saigon Food Ingredients Joint Stock Company (***)		69,261,607,154	(*)	-		-	-	-
▪ Mien Trung Bovine Breeding JSC		1,688,700,000	(*)	(619,873,969)		-	-	-
▪ Others		815,940,000	(*)	-		817,200,000	(*)	-
		<hr/>		<hr/>		<hr/>		<hr/>
		82,336,523,394		(8,121,391,011)		11,387,476,240		(7,490,301,769)
		<hr/>		<hr/>		<hr/>		<hr/>
		563,619,245,963		(8,121,391,011)		431,296,861,968		(7,490,301,769)

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- (*) At the reporting date, the Group has not determined fair values of these financial instruments for disclosure in the consolidated financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these financial instruments may differ from their carrying amounts.
- (**) The Company assessed that the Group had significant influence over this entity because the Group has the right to appoint members in Board of Management of this entity.
- (***) The Company had no significant influence over this entity because the Company no longer has a member in the Board of Management of this entity from 11 November 2017.

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Movements of equity investments in associates during the year were as follows:

	2017 VND	2016 VND
Opening balance	419,909,385,728	397,130,670,931
Investments	86,830,000,000	8,100,000,000
Reclassification to investment in other entities	(69,261,607,154)	-
Dividends received	(23,329,037,647)	(1,800,000,000)
Share of profit in associates	67,133,981,642	16,478,714,797
Closing balance	481,282,722,569	419,909,385,728

Movements in the allowance for diminution in value of short-term investments during the year were as follows:

	2017 VND	2016 VND
Opening balance	(500,629,886)	(72,195,440,247)
Increase in allowance during the year	(175,958,650)	-
Written back	-	260,762,300
Allowance utilised during the year	-	71,439,561,606
Currency translation differences	880,517	(5,513,545)
Closing balance	(675,708,019)	(500,629,886)

Movements in the allowance for diminution in value of long-term investments during the year were as follows:

	2017 VND	2016 VND
Opening balance	(7,490,301,769)	(4,740,126,948)
Increase in allowance during the year	(104,012,579)	(2,750,174,821)
Increase from business acquisition (note V.1)	(527,076,663)	-
Closing balance	(8,121,391,011)	(7,490,301,769)

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6. Inventories

	31/12/2017		1/1/2017	
	Carrying amount VND	Allowance VND	Carrying amount VND	Allowance VND
Goods in transit	380,503,277,233	-	634,956,689,982	-
Raw materials	2,439,272,049,098	(2,135,991,214)	2,533,783,474,836	(7,137,697,729)
Tools and supplies	26,711,030,133	-	17,581,053,761	-
Work in progress	77,589,988,406	-	54,226,522,481	-
Finished goods	1,041,691,837,644	(14,547,884,445)	1,202,995,232,465	(9,535,793,517)
Merchandise inventories	41,020,467,002	(2,709,989,802)	90,105,103,241	-
Goods on consignment	34,513,989,096	(849,796,515)	4,791,796,832	-
	4,041,302,638,611	(20,243,661,977)	4,538,439,873,598	(16,673,491,246)

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

	2017 VND	2016 VND
Opening balance	(16,673,491,246)	(17,274,104,181)
Increase in allowance during the year	(9,160,484,387)	(20,495,989,783)
Increase from business acquisition (Note V.1)	(16,052,083,010)	-
Written back	13,028,757,470	10,690,570,501
Allowance utilised during the year	8,613,639,196	10,406,032,217
Closing balance	(20,243,661,977)	(16,673,491,246)

7. Long-term work in progress

Long-term work in progress represented cows under 16 months of age, which will be transferred to tangible fixed assets under livestock category at the end of the sixteen-month period, when the cows are ready for milk production.

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8. Construction in progress

	2017 VND	2016 VND
Opening balance	865,440,052,609	761,285,112,786
Additions	2,437,605,929,161	1,044,519,335,770
Increase from business acquisition (Note V.1)	44,275,267,976	-
Transfer to tangible fixed assets	(1,505,861,968,991)	(887,220,752,420)
Transfer to intangible fixed assets	(11,957,912,736)	-
Transfer to investment properties	(6,954,545,455)	-
Transfer to inventories	(2,929,898,206)	(1,374,735,454)
Transfer to prepaid expenses	(32,395,623,727)	(28,951,779,818)
Disposals	(1,419,928,274)	(3,270,493,241)
Other decreases	(38,897,739,866)	(19,493,943,201)
Currency translation differences	(12,664,112)	(52,691,813)
Closing balance	1,746,890,968,380	865,440,052,609

Major constructions in progress were as follows:

	31/12/2017 VND	1/1/2017 VND
Machinery and equipment – Beverage Factory	340,171,668,253	-
Tay Ninh Dairy Cow Farm	306,796,059,332	233,475,427,576
Others	1,099,923,240,795	631,964,625,033
	1,746,890,968,380	865,440,052,609

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9. Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Others VND	Total VND
Cost							
Opening balance	3,007,241,465,794	9,191,877,230,900	846,918,883,799	517,689,874,335	605,814,584,799	88,196,627,500	14,257,738,667,127
Additions	15,337,522,870	170,727,726,652	71,124,919,833	23,014,852,296	115,248,346,800	385,543,000	395,838,911,451
Transfer from construction in progress	191,744,211,362	1,243,092,575,537	49,458,829,345	14,620,939,113	-	6,945,413,634	1,505,861,968,991
Transfer from inventories	-	-	-	-	293,011,609,924	-	293,011,609,924
Increase from business acquisition (note V.1)	736,946,558,473	2,134,697,881,572	29,692,118,139	632,712,189	-	-	2,901,969,270,373
Reclassification	-	15,653,375,737	-	(15,031,927,867)	-	(621,447,870)	-
Disposals	(7,845,473,766)	(185,328,897,569)	(15,909,758,301)	(3,078,066,918)	(141,918,193,486)	-	(354,080,390,040)
Other decreases	-	-	-	-	(1,099,317,678)	(80,330,318,414)	(81,429,636,092)
Currency translation differences	(188,187,379)	(1,061,123,735)	(161,071,644)	(10,421,410)	-	(53,797,082)	(1,474,601,250)
Closing balance	3,943,236,097,354	12,569,658,769,094	981,123,921,171	537,837,961,738	871,057,030,359	14,522,020,768	18,917,435,800,484
Accumulated depreciation							
Opening balance	741,036,482,817	4,616,175,131,644	380,716,907,457	361,670,334,825	171,989,165,477	69,827,651,963	6,341,415,674,183
Charge for the year	168,997,474,952	856,654,986,027	85,016,308,745	54,460,696,395	112,639,223,097	457,460,957	1,278,226,150,173
Increase from business acquisition (note V.1)	332,065,552,294	949,765,946,528	14,383,716,869	462,329,751	-	-	1,296,677,545,442
Reclassification	36,372,757	8,690,125,121	-	(8,473,957,511)	-	(252,540,367)	-
Disposals	(3,156,998,465)	(133,136,988,354)	(13,699,520,079)	(3,072,379,418)	(66,634,742,988)	-	(219,700,629,304)
Other decreases	-	-	-	-	(34,107,731)	(68,891,440,397)	(68,925,548,128)
Currency translation differences	(55,625,143)	(579,121,907)	(82,283,113)	(14,000,315)	-	(42,980,268)	(774,010,746)
Closing balance	1,238,923,259,212	6,297,570,079,059	466,335,129,879	405,033,023,727	217,959,537,855	1,098,151,888	8,626,919,181,620
Net book value							
Opening balance	2,266,204,982,977	4,575,702,099,256	466,201,976,342	156,019,539,510	433,825,419,322	18,368,975,537	7,916,322,992,944
Closing balance	2,704,312,838,142	6,272,088,690,035	514,788,791,292	132,804,938,011	653,097,492,504	13,423,868,880	10,290,516,618,864

Included in the cost of tangible fixed assets were assets costing VND2,223,577,746,238 which were fully depreciated as at 31 December 2017 (1/1/2017: VND1,666,304,535,994), but which are still in active use.

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10. Intangible fixed assets

	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	375,681,235,405	132,950,792,308	49,259,000,000	557,891,027,713
Additions	-	3,158,228,733	-	3,158,228,733
Increase from business acquisition (Note V.1)	5,868,153,150	-	-	5,868,153,150
Transfer from construction in progress	-	11,957,912,736	-	11,957,912,736
Transfer to prepaid expenses	(108,924,684,515)	-	-	(108,924,684,515)
Currency translation differences	(322,514,956)	(2,834,300)	(75,950,000)	(401,299,256)
Closing balance	272,302,189,084	148,064,099,477	49,183,050,000	469,549,338,561
Accumulated amortisation				
Opening balance	28,721,931,735	91,070,002,209	33,369,000,000	153,160,933,944
Charge for the year	1,464,348,426	14,750,058,727	-	16,214,407,153
Transfer to prepaid expenses	(18,566,191,677)	-	-	(18,566,191,677)
Currency translation differences	-	(840,842)	(51,450,000)	(52,290,842)
Closing balance	11,620,088,484	105,819,220,094	33,317,550,000	150,756,858,578
Net book value				
Opening balance	346,959,303,670	41,880,790,099	15,890,000,000	404,730,093,769
Closing balance	260,682,100,600	42,244,879,383	15,865,500,000	318,792,479,983

Included in the cost of intangible fixed assets were assets costing VND57,672,610,675 which were fully amortised as at 31 December 2017 (1/1/2017: VND48,086,488,915), but which are still in use.

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11. Investment property

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
Cost				
Opening balance	82,224,238,170	6,464,218,561	90,989,593,826	179,678,050,557
Addition	-	-	131,563,636	131,563,636
Transfer from construction in progress	-	-	6,954,545,455	6,954,545,455
Disposals	(43,339,950,000)	-	(83,371,480)	(43,423,321,480)
Closing balance	38,884,288,170	6,464,218,561	97,992,331,437	143,340,838,168
Accumulated amortisation				
Opening balance	2,645,189,674	4,575,569,937	35,483,908,620	42,704,668,231
Charge for the year	793,556,901	611,364,017	4,024,675,673	5,429,596,591
Disposals	-	-	(66,697,182)	(66,697,182)
Closing balance	3,438,746,575	5,186,933,954	39,441,887,111	48,067,567,640
Net book value				
Opening balance	79,579,048,496	1,888,648,624	55,505,685,206	136,973,382,326
Closing balance	35,445,541,595	1,277,284,607	58,550,444,326	95,273,270,528

The Group's investment property represents buildings and infrastructure held for earning rental income.

At the reporting date, the Group has not determined fair values of investment property held to earn rental for disclosure in the consolidated financial statements because there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of investment property held to earn rental may differ from its carrying amounts.

Included in the cost of investment property held to earn rental was assets costing VND7,892,173,774 which were fully depreciated as at 31 December 2017 (1/1/2017: VND7,892,173,774), but which are still in active use.

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12. Prepaid expenses

(a) Short-term prepaid expenses

	31/12/2017	1/1/2017
	VND	VND
Prepaid software deployment and networks maintenance expenses	4,659,874,251	5,166,842,293
Prepaid advertising expenses	3,141,628,217	5,746,426,437
Prepaid maintenance expenses	1,282,268,280	2,628,565,218
Prepaid operating lease expenses	4,400,080,539	7,007,482,846
Prepaid tools and supplies expenses	14,812,192,425	22,178,505,168
Prepaid renovation and repair expenses	4,166,496,897	2,809,598,781
Other short-term prepaid expenses	19,470,640,504	13,750,933,104
	51,933,181,113	59,288,353,847

(b) Long-term prepaid expenses

	Prepaid land costs VND	Tools and instruments VND	Other prepaid expenses VND	Total VND
Opening balance	233,057,352,676	183,921,289,004	42,416,415,349	459,395,057,029
Additions	2,502,746,703	143,962,341,959	38,394,417,544	184,859,506,206
Transfer from tangible fixed assets	-	11,438,878,017	1,065,209,947	12,504,087,964
Transfer from intangible fixed assets	90,358,492,838	-	-	90,358,492,838
Transfer from construction in progress	-	27,600,305,080	355,920,072	27,956,225,152
Amortisation for the year	(8,539,448,097)	(119,819,667,502)	(33,792,484,562)	(162,151,600,161)
Other decreases		(807,705,606)	82,650,524	(725,055,082)
Reclassification	(86,350,498)	276,831,095	(190,480,597)	-
Currency translation differences	(51,480,416)	(7,865,504)	(2,558,021)	(61,903,941)
Closing balance	317,241,313,206	246,564,406,543	48,329,090,256	612,134,810,005

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13. Deferred tax assets and liabilities

(a) Deferred tax assets

	31/12/2017	1/1/2017
	VND	VND
Deferred tax assets		
Foreign exchange differences	327,773,815	-
Accrued expenses and provisions	30,067,817,400	35,072,880,406
	30,395,591,215	35,072,880,406
Deferred tax liabilities		
Foreign exchange differences	(822,335)	(422,067,654)
Net deferred tax assets	30,394,768,880	34,650,812,752

(b) Deferred tax liabilities

	31/12/2017	1/1/2017
	VND	VND
Deferred tax assets		
Accounts receivable	1,442,785,905	2,354,816,280
Inventories	1,332,520,680	1,170,465,209
Tax losses carry forwards	50,205,264,165	45,796,087,384
Accrued expenses	6,978,394,845	6,138,857,752
Others	5,335,318,335	503,308,941
	65,294,283,930	55,963,535,566
Valuation allowance	-	(42,225,681,578)
Total deferred tax assets	65,294,283,930	13,737,853,988
Deferred tax liabilities		
Fixed assets and goodwill	(245,562,341,369)	(103,616,162,711)
Others	(23,350,049,625)	(147,280,777)
Total deferred tax liabilities	(268,912,390,994)	(103,763,443,488)
Net deferred tax liabilities	(203,618,107,064)	(90,025,589,500)

Deferred tax liabilities have been recognised on deductible temporary differences and tax losses using the effective tax rate of Driftwood Dairy Holdings Corporation, Vinamilk Europe Spółka Z Ograniczona Odpowiedzialnoscia and Angkor Dairy Products Co., Ltd, subsidiaries incorporated and operating in the United State of America, Poland and Cambodia, respectively.

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14. Goodwill

	2017 VND	2016 VND
Opening balance	123,983,090,462	142,345,015,058
Addition (Note V.1)	375,568,405,799	-
Charge for the year	(24,621,398,026)	(18,361,924,596)
Closing balance	474,930,098,235	123,983,090,462

15. Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	31/12/2017		1/1/2017	
	Carrying amount VND	Repayable amount VND	Carrying amount VND	Repayable amount VND
Dai Tan Viet JSC	811,664,433,728	811,664,433,728	150,053,638,178	150,053,638,178
Other suppliers	3,154,026,689,429	3,154,026,689,429	2,411,856,624,801	2,411,856,624,801
	3,965,691,123,157	3,965,691,123,157	2,561,910,262,979	2,561,910,262,979

(b) Accounts payable to related parties

	31/12/2017 VND	1/1/2017 VND
Associate		
APIS Corporation	40,890,765,724	8,760,950,000

The trade amounts due to the related parties were unsecured, interest free and payable within 60 days from invoice date.

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16. Borrowings

(a) Short-term borrowings

	1/1/2017 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2017 VND
Short-term borrowings	1,287,266,200,200	3,976,828,160,105	(5,055,741,996,084)	(147,568,134)	208,204,796,087
Current portion of long-term borrowings	45,400,000,000	128,110,452,002	(113,539,702,002)	(73,500,000)	59,897,250,000
	1,332,666,200,200	4,104,938,612,107	(5,169,281,698,086)	(221,068,134)	268,102,046,087

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

Lenders	Note	Currency	Annual interest rate	31/12/2017 VND	1/1/2017 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch		VND	4.90%	-	1,100,000,000,000
The Bank of Tokyo-Mitsubishi UFJ Ltd, – Ho Chi Minh City Branch		VND	4.90%	-	100,000,000,000
Wells Fargo	(i)	USD	3.94%	108,204,796,087	87,266,200,200
Others		VND	6.00%	100,000,000,000	-
				208,204,796,087	1,287,266,200,200

- (i) This loan was secured by accounts receivable from customers with carrying amount of VND211,976 million as at 31 December 2017 (1/1/2017: VND169,897 million).

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(b) Long-term borrowings

	1/1/2017 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2017 VND
Long-term borrowings	372,370,398,182	77,304,664,365	(114,296,373,160)	(532,000,000)	334,846,689,387
Current portion of long-term borrowings	(45,400,000,000)	(128,110,452,002)	113,539,702,002	73,500,000	(59,897,250,000)
	326,970,398,182	(50,805,787,637)	(756,671,158)	(458,500,000)	274,949,439,387

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

Lenders	Note	Currency	Annual interest rate	Year of maturity	31/12/2017 VND	1/1/2017 VND
Sumitomo Mitsui Banking Corporation	(i)	USD	3.04%	2020	317,310,000,000	363,200,000,000
Individuals	(ii)	VND	Nil	2039	17,536,689,387	9,170,398,182
					334,846,689,387	372,370,398,182

- (i) This loan was secured by long-term deposits and fixed assets with carrying amount of VND82,977 million (1/1/2017: VND76,500 million) and VND389,664 million (1/1/2017: VND424,927 million), respectively, as at 31 December 2017.
- (ii) These loans were unsecured.

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17. Taxes payable to State Treasury

	1/1/2017 VND	Incurred VND	Increase from business acquisition (Note V.1) VND	Paid VND	Currency translation differences VND	31/12/2017 VND
Value added tax	60,756,044,852	2,133,651,600,372	-	(2,109,545,036,039)	(4,996,124)	84,857,613,061
Corporate income tax	174,771,741,111	1,967,066,705,229	37,047,784,048	(1,933,509,580,614)	4,455,870	245,381,105,644
Personal income tax	14,917,198,239	247,122,006,971	15,218,967	(216,478,227,158)	(220,822)	45,575,976,197
Import tax	1,974,408,062	134,064,164,095	-	(134,726,900,763)	(640,616)	1,311,030,778
Other taxes	3,090,738,596	41,352,290,980	-	(38,252,708,310)	(1,963,949)	6,188,357,317
Total	255,510,130,860	4,523,256,767,647	37,063,003,015	(4,432,512,452,884)	(3,365,636)	383,314,082,997

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18. Accrued expenses

	31/12/2017	1/1/2017
	VND	VND
Sale incentives, promotion	809,759,170,326	584,298,882,216
Advertising expenses	155,863,127,207	170,814,940,905
Transportation expenses	63,804,058,530	77,412,131,182
Repair and maintenance expenses	26,287,942,358	11,769,500,442
Fuel expenses	13,794,033,974	13,959,796,579
Expenses for outsourced employees	61,056,856,176	62,494,315,062
Rental fees	4,302,136,374	922,786,364
Interest expense	290,197,560,228	21,082,620,101
Others	103,223,060,285	83,219,710,854
	1,528,287,945,458	1,025,974,683,705

19. Short-term other payables

	31/12/2017	1/1/2017
	VND	VND
Insurance and trade union fees	1,399,249,266	728,779,914
Short-term deposits received	80,343,110,431	71,249,658,216
Outstanding cheques in exceed of bank balance	41,036,115,977	8,189,608,390
Other payables relating to financial investments (*)	448,007,419,155	448,007,419,155
Dividend payables	2,176,917,780,000	4,003,285,748
Import duty payables	22,482,594,509	42,613,702,494
Others	13,637,908,646	17,307,504,005
	2,783,824,177,984	592,099,957,922

- (*) Other payables relating to financial investments included an advance payment of VND447,822,000,000 received from a third party in respect of the future transfer of the Group's investment in Bao Viet Joint Stock Commercial Bank (Note V.5(a)).

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20. Bonus and welfare fund

This fund is established by appropriating from retained profits as approved by shareholders at shareholders' meeting. This fund is used to pay bonus and welfare to the Company's and subsidiaries' employees in accordance with the Company's bonus and welfare policies.

Movements of bonus and welfare fund during the year were as follows:

	2017 VND	2016 VND
Opening balance	456,785,376,550	405,464,362,576
Appropriation	1,071,655,246,780	924,744,180,232
Utilisation	(835,950,853,769)	(873,423,166,258)
Closing balance	692,489,769,561	456,785,376,550

21. Long-term provisions

Movement of long-term provision during the year were as follows:

	Provision for severance allowance 2017 VND	2016 VND
Opening balance	95,960,585,167	87,325,705,000
Increase in provision during the year	8,803,926,591	10,053,842,830
Provision used during the year	(2,241,083,583)	(1,418,962,663)
Closing balance	102,523,428,175	95,960,585,167

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22. Changes in owners' equity

	Share capital VND	Share premium VND	Treasury shares VND	Foreign exchange differences VND	Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
As at 1 January 2016	12,006,621,930,000	-	(5,388,109,959)	8,329,599,322	3,291,207,229,973	5,391,795,573,082	231,349,525,167	20,923,915,747,585
Share capital issued	2,507,912,360,000	260,699,620,761	5,388,109,959	-	(2,419,035,050,000)	-	-	354,965,040,720
Purchase of treasury shares	-	-	(1,176,335,920)	-	-	-	-	(1,176,335,920)
Purchase of non-controlling interest	-	-	-	-	-	(62,222,774,839)	(5,922,583,589)	(68,145,358,428)
Net profit for the year	-	-	-	-	-	9,350,329,130,383	13,500,647,107	9,363,829,777,490
Appropriation to investment and development fund	-	-	-	-	924,847,745,615	(924,847,745,615)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(924,744,180,232)	-	(924,744,180,232)
Dividends (Note V.24)	-	-	-	-	-	(7,238,478,492,000)	(4,003,285,748)	(7,242,481,777,748)
Currency translation differences	-	-	-	(2,674,905,869)	-	-	2,461,280,987	(213,624,882)
As at 1 January 2017	14,514,534,290,000	260,699,620,761	(1,176,335,920)	5,654,693,453	1,797,019,925,588	5,591,831,510,779	237,385,583,924	22,405,949,288,585
Purchase of treasury shares	-	-	(5,983,485,880)	-	-	-	-	(5,983,485,880)
Purchase of non-controlling interest (Note I.4(a))	-	-	-	-	-	(41,762,522,713)	(234,654,964,345)	(276,417,487,058)
Net profit for the year	-	-	-	-	-	10,295,665,148,846	(17,490,595,680)	10,278,174,553,166
Appropriation to equity funds	-	-	-	-	1,054,885,484,640	(1,054,885,484,640)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(1,071,655,246,780)	-	(1,071,655,246,780)
Other increase	-	-	-	-	-	-	513,052,965,331	513,052,965,331
Dividends (Note V.24)	-	-	-	-	-	(7,982,272,776,031)	(452,720,796)	(7,982,725,496,827)
Currency translation differences	-	-	-	12,712,763,680	-	-	(50,040,357)	12,662,723,323
As at 31 December 2017	14,514,534,290,000	260,699,620,761	(7,159,821,800)	18,367,457,133	2,851,905,410,228	5,736,920,629,462	497,790,228,077	23,873,057,813,861

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23. Share capital

The Company's authorised and issued share capital is:

	31/12/2017		1/1/2017	
	Number of shares	VND	Number of shares	VND
Authorised share capital	1,451,453,429	14,514,534,290,000	1,451,453,429	14,514,534,290,000
Issued shares				
Ordinary shares	1,451,453,429	14,514,534,290,000	1,451,453,429	14,514,534,290,000
Treasury shares				
Ordinary shares	(174,909)	(7,159,821,800)	(27,100)	(1,176,335,920)
Shares currently in circulation				
Ordinary shares	1,451,278,520	14,507,374,468,200	1,451,426,329	14,513,357,954,080

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.

Details of share capital:

	31/12/2017		1/1/2017	
	VND	%	VND	%
The State's capital	5,225,531,960,000	36.00%	5,708,865,960,000	39.33%
Other shareholders' capital	9,289,002,330,000	64.00%	8,805,668,330,000	60.67%
	14,514,534,290,000	100.00%	14,514,534,290,000	100.00%

24. Dividends

Pursuant to the Resolution of Annual General Meeting of Shareholders, the Board of Management of the Company on 15 April 2017, 24 July 2017 and 15 December 2017 resolved to distribute dividends in relation to 2016 and 2017 profits, respectively, totally amounting to VND7,982 billion (VND2,000 per share for the second distribution of fiscal year 2016, VND2,000 per share for the first advance distribution for the fiscal year 2017 and VND1,500 per share for the additional first advance distribution for the fiscal year 2017) (for the year ended 31 December 2016: VND7,238 billion (VND2,000 per share for the second distribution for the fiscal year 2015 and VND4,000 per share for the first advance distribution for the fiscal year 2016)).

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25. Off balance sheet items

(a) Foreign currencies

	31/12/2017		1/1/2017	
	Original currency	VND equivalent	Original currency	VND equivalent
▪ USD	6,619,329.09	150,027,087,935	793,766.71	18,018,504,317
▪ EUR	5,372.56	145,075,238	797.30	19,013,213
		150,172,163,173		18,037,517,530

(b) Lease

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

	2017 VND	2016 VND
Within one year	30,244,538,695	29,027,143,771
Within two to five years	80,477,328,608	64,918,173,271
More than five years	448,114,634,886	315,191,823,980
	558,836,502,189	409,137,141,022

(c) Capital expenditure commitments

As at 31 December 2017, the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	2017 VND	2016 VND
Approved and contracted	3,485,831,940,766	1,792,241,136,588

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VI. SUPPLEMENT INFORMATION TO ITEMS DISCLOSED IN THE CONSOLIDATED STATEMENTS OF INCOME

1. Revenue from sales of goods and provision of services

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

Net revenue comprised:

	2017 VND	2016 VND
Total revenue		
▪ Sales of merchandise goods	1,446,258,338,101	1,724,189,208,675
▪ Sales of finished goods	49,526,103,800,509	45,088,795,081,554
▪ Other services	62,526,876,757	58,757,721,588
▪ Rental income from investment property	17,187,652,809	15,348,087,988
▪ Others	82,823,096,903	77,913,002,020
	<hr/> 51,134,899,765,079	<hr/> 46,965,003,101,825
Less revenue deductions		
▪ Sale discounts	17,388,158,838	648,096,440
▪ Sale returns	76,435,721,132	123,038,511,216
▪ Sales allowances	-	46,977,093,895
	<hr/> 93,823,879,970	<hr/> 170,663,701,551
Net revenue	<hr/> 51,041,075,885,109	<hr/> 46,794,339,400,274

In which revenue from sales to related parties was as follows:

	2017 VND	2016 VND
Associates		
APIS Corporation	724,272,400	445,512,000

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2. Cost of sales

	2017 VND	2016 VND
Total cost of sales		
▪ Merchandise goods sold	1,256,346,586,241	1,418,989,239,429
▪ Finished goods sold	24,916,638,222,738	21,872,624,507,790
▪ Promotional goods sold	594,166,234,679	1,138,195,464,367
▪ Operating cost of investment property	8,579,497,255	9,386,311,293
▪ Other services	11,151,600,462	9,148,398,155
▪ Inventories losses	645,547,529	-
▪ Under-capacity costs	23,271,650,655	484,055,679
▪ Allowance for inventories	(3,868,273,083)	9,805,419,282
	26,806,931,066,476	24,458,633,395,995

3. Financial income

	2017 VND	2016 VND
Interest income from deposits	742,774,443,564	620,334,192,891
Interest income from corporate bonds	27,292,691,779	38,593,671,250
Foreign exchange gains	46,014,816,848	62,198,403,527
Dividends	25,820,495	980,729,583
Others	209,005,849	453,778,012
	816,316,778,535	722,560,775,263

4. Financial expenses

	2017 VND	2016 VND
Interest expense on borrowings	29,438,568,563	46,499,350,049
Interest expense on deposits received	3,752,873,000	2,389,947,521
Foreign exchange losses	53,391,517,007	49,553,805,011
Allowance for diminution in value of financial investments	279,971,229	2,489,412,521
Others	174,618,477	1,517,798,469
	87,037,548,276	102,450,313,571

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5. Other income

	2017 VND	2016 VND
Proceeds from disposals of fixed assets and investment property	167,762,208,469	51,095,907,908
Proceeds from disposals of construction in progress	1,202,551,910	2,785,368,565
Compensations received from other parties	7,585,177,670	4,356,970,526
Rebate income	16,782,902,629	100,525,060,680
Others	19,747,745,752	23,558,293,565
	213,080,586,430	182,321,601,244

6. Other expenses

	2017 VND	2016 VND
Book value of fixed assets and investment property disposed	177,736,385,034	73,837,614,727
Book value of construction in progress disposed	1,419,928,274	3,270,493,241
Others	31,397,076,631	27,877,581,915
	210,553,389,939	104,985,689,883

7. Selling expenses

	2017 VND	2016 VND
Staff costs	622,545,208,483	585,790,673,617
Materials expenses	51,352,255,139	37,395,046,161
Tools and supplies expenses	133,205,268,966	109,854,577,568
Depreciation expenses	42,122,483,249	38,765,880,497
Expenses of damaged goods	41,497,531,083	37,765,793,197
Transportation expenses	589,183,894,539	599,832,336,441
Outside service expenses	392,945,241,788	327,632,222,918
Advertising and market research expenses	1,990,534,713,776	2,074,503,973,229
Promotion, product display expenses and, support and commission expenses for distributors	7,673,146,974,776	6,947,212,488,627
	11,536,533,571,799	10,758,752,992,255

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8. General administrative expenses

	2017 VND	2016 VND
Staff costs	627,079,060,927	373,210,670,759
Materials expenses	24,434,850,707	13,243,885,262
Office supplies	18,731,423,006	15,927,230,346
Depreciation expenses	83,657,032,630	87,997,049,942
Fees and duties	14,834,558,600	19,815,382,621
Allowance for doubtful debts and provision for severance allowance	12,713,106,726	12,533,717,997
Transportation expenses	35,446,080,045	42,113,499,607
Outside service expenses	245,962,504,815	279,820,861,164
Loading expenses	17,619,203,907	22,111,996,989
Per-diem allowances	53,553,837,915	47,244,388,376
Bank charges	11,023,101,136	10,354,479,579
Others	122,551,510,676	128,878,366,336
	1,267,606,271,090	1,053,251,528,978

9. Production and business costs by element

	2017 VND	2016 VND
Raw material costs included in production costs	21,119,545,561,711	18,628,772,456,134
Labour costs and staff costs	2,321,877,650,601	1,996,826,287,370
Depreciation and amortisation	1,288,433,647,949	1,190,109,115,617
Outside services	2,230,092,134,374	2,092,594,477,113
Other expenses	10,884,691,278,695	10,746,432,440,371

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10. Income tax

(a) Recognised in the consolidated statement of income

	2017 VND	2016 VND
Current tax expense		
Current year	1,967,746,432,342	1,878,787,864,681
(Over)/under provision in prior year	(679,727,113)	4,479,554,163
	<hr/> 1,967,066,705,229	<hr/> 1,883,267,418,844
Deferred tax benefit		
Origination and reversal of temporary differences	(16,295,874,259)	(9,470,625,438)
	<hr/>	<hr/>
Income tax expense	<hr/> 1,950,770,830,970	<hr/> 1,873,796,793,406

(b) Reconciliation of effective tax rate

	2017 VND	2016 VND
Accounting profit before tax	12,228,945,384,136	11,237,626,570,896
	<hr/>	<hr/>
Tax at the Company's tax rate	2,445,789,076,827	2,247,525,314,179
Tax rate differential applied to Company's subsidiaries and factories	(26,624,013,176)	(45,822,933,682)
Tax exempt income	(5,164,099)	(16,024,352,262)
Non-deductible expenses	6,857,771,040	9,321,355,251
Tax incentives	(405,743,299,786)	(339,788,398,372)
Deferred tax assets not previously recognised	(68,823,812,722)	14,106,254,129
(Over)/under provision in prior year	(679,727,113)	4,479,554,163
	<hr/>	<hr/>
	<hr/> 1,950,770,830,970	<hr/> 1,873,796,793,406

(c) Applicable tax rates

The companies in the Group are required to pay income tax at rates ranging from 10% to 40%, depending on principle activities of its factories, on taxable profits. The Company and its subsidiaries incurred the income tax charges.

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11. Basic earnings per share

The calculation of earnings per share for the year ended 31 December 2017 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare fund and a weighted average number of ordinary shares outstanding, calculated as follows:

(a) Net profit attributable to ordinary shareholders

	2017	2016
	VND	VND
Net profit for the year – attributable to ordinary shareholders before appropriation to bonus and welfare fund	10,295,665,148,846	9,350,329,130,383
Appropriation to bonus and welfare fund	(1,071,655,246,780)	(924,744,180,232)
Net profit for the year attributable to ordinary shareholders after appropriation to bonus and welfare fund	9,224,009,902,066	8,425,584,950,151

(b) Weighted average number of ordinary shares

	2017	2016
	Number of shares	Number of shares
Issued ordinary shares at the beginning of the year	1,451,426,329	1,200,139,398
Effect of shares issued under ESOP	-	4,813,253
Effect of bonus shares issued during the year	-	240,025,825
Effect of treasury shares repurchased during the year	(76,336)	(1,978)
Weighted average number of ordinary shares for the year ended 31 December	1,451,349,993	1,444,976,498

As at 31 December 2017, the Group did not have potentially dilutive ordinary shares.

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VII. OTHER INFORMATION

1. Significant transactions with related parties

In addition to related party balances disclosed in other notes to the consolidated financial statements, the Group had the following transactions with related parties during the year:

Related Party	Relationship	Nature of transaction	2017 VND	2016 VND
Miraka Limited	Associate	Purchases of goods	-	24,586,164,960
APIS Corporation	Associate	Purchase of goods	129,049,535,690	21,767,504,800
		Sales of goods and services	724,272,400	445,512,000
		Capital contribution	-	8,100,000,000
Asia Coconuts Processing Joint Stock Company	Associate	Purchases of shares	86,830,000,000	-
Board of Management's and Board of Directors' members		Compensation	123,523,671,767	91,004,863,749
The State Capital Investment Corporation	Shareholder	Dividends	2,283,546,384,000	3,246,324,480,000

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2. Segment information

Segment information is presented in respect of the Group's primary segment, which is the geographical segment.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling expenses, general and administration expenses, other gains or losses, and corporate income tax.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, which is located in Vietnam ("Domestic") or countries other than Vietnam ("Overseas"). Segment assets and capital expenditure are not presented since the location of assets and production is mostly in Vietnam.

	Domestic (Customers located in Vietnam)		Overseas (Customers located in countries other than Vietnam)		Total	
	2017	2016	2017	2016	2017	2016
	VND	VND	VND	VND	VND	VND
Net revenue	43,572,091,099,815	38,098,772,683,879	7,468,984,785,294	8,695,566,716,395	51,041,075,885,109	46,794,339,400,274
Cost of sales	(22,916,806,416,790)	(20,065,856,588,756)	(3,890,124,649,685)	(4,392,776,807,239)	(26,806,931,066,476)	(24,458,633,395,995)
Segment income	20,655,284,683,025	18,032,916,095,123	3,578,860,135,608	4,302,789,909,156	24,234,144,818,633	22,335,706,004,279

Prepared by:



Le Thanh Liem
Executive Director – Finance
cum Chief Accountant

30 January 2018



Approved by:

Mai Kieu Lien
Chief Executive Officer