



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

Consolidated financial statements
for the year ended 31 December 2018



Vietnam Dairy Products Joint Stock Company and its subsidiaries

TABLE OF CONTENTS	PAGE
CORPORATE INFORMATION	2
STATEMENT OF THE BOARD OF MANAGEMENT	3
INDEPENDENT AUDITOR’S REPORT	4 - 5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6 - 8
CONSOLIDATED STATEMENT OF INCOME	9 - 10
CONSOLIDATED STATEMENT OF CASH FLOWS	11 - 13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14 - 64

Vietnam Dairy Products Joint Stock Company and its subsidiaries Corporate Information

Business Registration

Certificate No.	4103001932	20 November 2003
	0300588569	12 October 2018

The Company's business registration certificate has been amended several times, the most recent of which is by the Business Registration Certificate No. 0300588569 dated 12 October 2018. The business registration certification and its updates were issued by Ho Chi Minh City Planning and Investment Department.

Board of Directors

Mdm. Le Thi Bang Tam	Chairwoman
Mdm. Mai Kieu Lien	Member
Mr. Lee Meng Tat	Member
Ms. Dang Thi Thu Ha	Member
Mr. Le Thanh Liem	Member
Mr. Michael Chye Hin Fah	Member
Mr. Nguyen Ba Duong	Member
Mr. Do Le Hung	Member
Mr. Nguyen Chi Thanh	Member (from 31 March 2018)
Mr. Alain Xavier Cany	Member (from 31 March 2018)
Mr. Nguyen Hong Hien	Member (until 31 March 2018)

Board of Management

Mdm. Mai Kieu Lien	Chief Executive Officer
Ms. Bui Thi Huong	Executive Director – Human Resource – Administration and Public Relation
Mr. Mai Hoai Anh	Executive Director – International Sales (from 1 December 2018)
Mr. Le Thanh Liem	Executive Director – Finance
Mr. Phan Minh Tien	Executive Director – Marketing
Ms. Nguyen Thi Thanh Hoa	Executive Director – Supply chain
Mr. Tran Minh Van	Executive Director – Production
Mr. Nguyen Quoc Khanh	Executive Director – Research and Development
Mr. Trinh Quoc Dung	Executive Director – Raw Materials Development
Ms. Ngo Thi Thu Trang	Executive Director – Projects (until 1 March 2018)

Registered Office

10 Tan Trao, Tan Phu Ward
District 7, Ho Chi Minh City
Vietnam

Auditor

KPMG Limited
Vietnam

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Statement of the Board of Management

**STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN
RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Management 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 2018 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 Management 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 Management 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 comply with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. The Board of Management 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 6 to 64 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 Management



Mai Kieu Lien
Chief Executive Officer

Ho Chi Minh City, 28 February 2019



KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
+84 (28) 3821 9266 | kpmg.com.vn

INDEPENDENT AUDITOR'S REPORT

To the Shareholders

Vietnam Dairy Products Joint Stock Company and its subsidiaries

We have audited the accompanying consolidated financial statements of Vietnam Dairy Products Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Management on 28 February 2019, as set out on pages 6 to 64.

Management's Responsibility

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

Auditor's Responsibility

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

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

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



Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Dairy Products Joint Stock Company and its subsidiaries as at 31 December 2018 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

KPMG Limited's Branch in Ho Chi Minh City

Vietnam

Audit Report No.: 18-01-00231-19-2



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

Nguyen Thanh Nghi
Practicing Auditor Registration
Certificate No. 0304-2018-007-1

Ho Chi Minh City, 28 February 2019

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Consolidated statement of financial position as at 31 December 2018

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

	Code	Note	31/12/2018 VND	1/1/2018 VND
ASSETS				
Current assets				
(100 = 110 + 120 + 130 + 140 + 150)	100		20,559,756,794,837	20,307,434,789,529
Cash and cash equivalents	110	V.2	1,522,610,167,671	963,335,914,164
Cash	111		1,072,610,167,671	834,435,914,164
Cash equivalents	112		450,000,000,000	128,900,000,000
Short-term financial investments	120		8,673,926,951,890	10,561,714,377,337
Trading securities	121	V.5(a)	443,154,262,451	443,130,811,523
Allowance for diminution in the value of trading securities	122	V.5(c)	(605,728,258)	(675,708,019)
Held-to-maturity investments	123	V.5(b)	8,231,378,417,697	10,119,259,273,833
Accounts receivable – short-term	130		4,639,447,900,101	4,591,702,853,157
Accounts receivable from customers	131	V.3(a)	3,380,017,354,930	3,613,981,838,047
Prepayments to suppliers	132		876,158,254,325	622,978,664,875
Other short-term receivables	136	V.4(a)	394,535,471,938	367,850,643,578
Allowance for doubtful debts	137	V.3(d)	(11,263,181,092)	(13,193,973,536)
Shortage of assets awaiting for resolution	139		-	85,680,193
Inventories	140	V.6	5,525,845,959,354	4,021,058,976,634
Inventories	141		5,538,304,348,980	4,041,302,638,611
Allowance for inventories	149		(12,458,389,626)	(20,243,661,977)
Other current assets	150		197,925,815,821	169,622,668,237
Short-term prepaid expenses	151	V.12(a)	54,821,120,257	51,933,181,113
Deductible value added tax	152		142,642,380,500	117,132,711,139
Taxes receivable from State Treasury	153		462,315,064	556,775,985

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 2018 (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	31/12/2018 VND	1/1/2018 VND
Long-term assets				
(200 = 210 + 220 + 230 + 240 + 250 + 260)	200		16,806,351,859,342	14,359,884,047,968
Accounts receivable – long-term	210		88,443,241,642	53,774,889,824
Long-term receivables from customers	211	V.3(b)	67,658,410,631	29,973,948,684
Long-term loan receivables	215		3,143,509,548	5,373,558,222
Other long-term receivables	216	V.4(b)	17,641,321,463	18,427,382,918
Fixed assets	220		13,365,353,599,098	10,609,309,098,847
Tangible fixed assets	221	V.9	13,047,771,431,436	10,290,516,618,864
Cost	222		22,952,360,450,312	18,917,435,800,484
Accumulated depreciation	223		(9,904,589,018,876)	(8,626,919,181,620)
Intangible fixed assets	227	V.10	317,582,167,662	318,792,479,983
Cost	228		475,569,436,392	469,549,338,561
Accumulated amortisation	229		(157,987,268,730)	(150,756,858,578)
Investment property	230	V.11	90,248,200,759	95,273,270,528
Cost	231		147,320,450,623	143,340,838,168
Accumulated depreciation	232		(57,072,249,864)	(48,067,567,640)
Long-term work in progress	240		868,245,878,253	1,928,569,256,697
Long-term work in progress	241	V.7	214,398,200,249	181,678,288,317
Construction in progress	242	V.8	653,847,678,004	1,746,890,968,380
Long-term financial investments	250		1,068,660,695,119	555,497,854,952
Investments in associates	252	V.5(c)	497,498,739,617	481,282,722,569
Equity investments in other entities	253	V.5(c)	72,083,527,154	82,336,523,394
Allowance for diminution in the value of long-term financial investments	254	V.5(c)	(921,571,652)	(8,121,391,011)
Held-to-maturity investments	255	V.5(b)	500,000,000,000	-
Other non-current assets	260		1,325,400,244,471	1,117,459,677,120
Long-term prepaid expenses	261	V.12(b)	750,599,476,304	612,134,810,005
Deferred tax assets	262	V.13(a)	36,460,665,848	30,394,768,880
Goodwill	269	V.14	538,340,102,319	474,930,098,235
TOTAL ASSETS (270 = 100 + 200)	270		37,366,108,654,179	34,667,318,837,497

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 2018 (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	31/12/2018 VND	1/1/2018 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		11,094,739,362,252	10,794,261,023,636
Current liabilities	310		10,639,592,009,462	10,195,562,827,092
Accounts payable to suppliers	311	V.15	3,991,064,706,111	3,965,691,123,157
Advances from customers	312		535,552,943,437	360,182,469,422
Taxes payable to State Treasury	313	V.17	341,669,047,623	383,314,082,997
Payables to employees	314		215,270,553,609	205,722,836,953
Short-term accrued expenses	315	V.18	1,437,232,532,734	1,528,287,945,458
Short-term unearned revenue	318		6,910,881,322	7,344,630,678
Other short-term payables	319	V.19	2,540,327,951,932	2,783,824,177,984
Short-term borrowings	320	V.16(a)	1,060,047,652,329	268,102,046,087
Provision – short-term	321	V.21(a)	4,502,303,315	603,744,795
Bonus and welfare fund	322	V.20	507,013,437,050	692,489,769,561
Long-term liabilities	330		455,147,352,790	598,698,196,544
Long-term accrued expenses	333		2,054,753,617	-
Long-term unearned revenue	336		415,848,218	1,039,560,218
Other long-term payables	337		29,607,431,175	16,567,661,700
Long-term borrowings	338	V.16(b)	215,798,919,361	274,949,439,387
Deferred tax liabilities	341	V.13(b)	204,757,714,031	203,618,107,064
Provision – long-term	342	V.21(b)	2,512,686,388	102,523,428,175
EQUITY (400 = 410)	400		26,271,369,291,927	23,873,057,813,861
Owners' equity	410	V.22	26,271,369,291,927	23,873,057,813,861
Share capital	411	V.23	17,416,877,930,000	14,514,534,290,000
Share premium	412		-	260,699,620,761
Treasury shares	415	V.23	(10,485,707,360)	(7,159,821,800)
Foreign exchange differences	417		27,635,831,784	18,367,457,133
Investment and development fund	418		1,191,672,373,593	2,851,905,410,228
Retained profits	420		7,155,434,314,256	5,736,920,629,462
- Retained profits brought forward	421a		3,560,050,505,957	2,646,643,972,283
- Profit for the current year	421b		3,595,383,808,299	3,090,276,657,179
Non-controlling interest	429		490,234,549,654	497,790,228,077
TOTAL RESOURCES (440 = 300 + 400)	440		37,366,108,654,179	34,667,318,837,497

28 February 2019

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 2018

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

	Code	Note	2018 VND	2017 VND
Revenue from sales of goods and provision of services	01	VI.1	52,629,230,427,284	51,134,899,765,079
Revenue deductions	02	VI.1	67,280,456,692	93,823,879,970
Net revenue (10 = 01 - 02)	10	VI.1	52,561,949,970,592	51,041,075,885,109
Cost of sales	11	VI.2	27,950,543,501,501	26,806,931,066,476
Gross profit (20 = 10 - 11)	20		24,611,406,469,091	24,234,144,818,633
Financial income	21	VI.3	759,917,391,001	816,316,778,535
Financial expenses	22	VI.4	118,007,001,674	87,037,548,276
<i>In which: Interest expense</i>	23		51,367,418,852	29,438,568,563
Share of profit in associates	24	V.5(c)	22,433,720,557	67,133,981,642
Selling expenses	25	VI.7	12,265,936,906,433	11,536,533,571,799
General and administration expenses	26	VI.8	1,133,300,231,790	1,267,606,271,090
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		11,876,513,440,752	12,226,418,187,645
Other income	31	VI.5	450,247,329,980	213,080,586,430
Other expenses	32	VI.6	275,064,504,609	210,553,389,939
Results of other activities (40 = 31 - 32)	40		175,182,825,371	2,527,196,491
Profit before tax (50 = 30 + 40)	50		12,051,696,266,123	12,228,945,384,136
Income tax expense – current	51	VI.10	1,874,905,225,483	1,967,066,705,229
Income tax benefit – deferred	52	VI.10	(28,838,670,599)	(16,295,874,259)
Net profit after tax (60 = 50 - 51 - 52)	60		10,205,629,711,239	10,278,174,553,166

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 2018 (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	2018 VND	2017 VND
Net profit after tax (60 = 50 - 51 - 52)	60		10,205,629,711,239	10,278,174,553,166
Attributable to:				
Equity holders of the Company	61		10,227,281,151,464	10,295,665,148,846
Non-controlling interest	62		(21,651,440,225)	(17,490,595,680)
Basic earnings per share	70	VI.11	5,295	5,296

28 February 2019

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 2018
(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	2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		12,051,696,266,123	12,228,945,384,136
Adjustments for				
Depreciation and amortisation	02		1,626,632,382,351	1,299,870,153,900
Allowances and provisions	03		(91,866,480,156)	9,211,986,688
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(1,358,149,087)	3,716,375,078
Losses on disposals of fixed assets and construction in progress	05		70,047,516,026	11,626,288,383
Dividends and interest income	05		(678,576,213,360)	(770,127,530,460)
Share of profit in associates	05		(22,433,720,557)	(67,133,981,642)
Allocation of goodwill	05		56,921,527,942	24,621,398,026
Profits from other investing activities	05		(2,577,225,436)	-
Interest expense	06	VI.4	51,367,418,852	29,438,568,563
Operating profit before changes in working capital	08		13,059,853,322,698	12,770,168,642,672
Change in receivables	09		(108,535,667,272)	(1,599,146,216,641)
Change in inventories	10		(1,685,436,671,924)	318,469,641,939
Change in payables and other liabilities	11		(14,512,675,616)	958,729,788,071
Change in prepaid expenses	12		68,658,670,747	(9,999,654,740)
Interest paid	14		(110,740,338,598)	(65,131,015,206)
Income tax paid	15	V.17	(1,879,580,376,609)	(1,933,509,580,614)
Other payments for operating activities	17		(1,189,467,230,777)	(837,987,080,389)
Net cash flows from operating activities	20		8,140,239,032,649	9,601,594,525,092

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 2018
(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	2018 VND	2017 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(3,185,795,437,639)	(2,672,989,490,186)
Collections on disposals of fixed assets and other long-term assets	22		94,475,512,924	120,711,406,540
Collections from/(payments for) time deposits	23		1,199,161,995,594	(218,248,720,396)
Collections of loans	24		2,230,048,674	1,872,350,540
Receipts from sales of debt instruments of other entities	24		190,785,778,116	300,000,000,000
Payments for investments in other entities	25		(12,250,000,000)	(86,830,000,000)
Collections from investments in other entities	26		18,467,703,509	23,329,037,647
Receipts of interest and dividends	27		782,637,018,033	754,960,073,066
Net cash (outflow)/inflow from business acquisition	28	V.1	(134,857,255,395)	6,206,321,842
Net cash flows from investing activities	30		(1,045,144,636,184)	(1,770,989,020,947)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for repurchase of treasury shares	32		(3,325,885,560)	(5,983,485,880)
Payments for purchase shares from non-controlling interest in a subsidiary	32		-	(276,417,487,058)
Proceeds from borrowings	33		4,827,980,040,068	2,777,050,122,470
Payments to settle loan principals	34		(4,103,588,818,554)	(4,224,186,861,900)
Payments of dividends	36		(7,256,172,407,500)	(5,805,807,717,105)
Net cash flows from financing activities	40		(6,535,107,071,546)	(7,535,345,429,473)

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 2018
(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	2018 VND	2017 VND
Net cash flows during the year (50 = 20 + 30 + 40)	50		559,987,324,919	295,260,074,672
Cash and cash equivalents at the beginning of the year	60		963,335,914,164	655,423,095,436
Effect of exchange rate fluctuations on cash and cash equivalents	61		(1,230,025,973)	(707,624,645)
Currency translation differences	62		516,954,561	13,360,368,701
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61 + 62)	70	V.2	1,522,610,167,671	963,335,914,164

28 February 2019

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
Notes to the consolidated financial statements for the year ended 31 December 2018

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 achieved 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 Planning and Investment Department.
- 28 December 2005: The State Securities Commission of Vietnam issued Listed Licence No. 42/UBCK-GPNY.
- 19 January 2006: The Company’s shares were 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 2018
(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/QĐ-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/QĐ-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 Holding 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 Holding 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 Holding Corporation amounted to USD3 million. 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 Holding 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 and 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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

- 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 equity interest in Thong Nhat Thanh Hoa Limited Company from non-controlling shareholders. The transaction was completed on 21 October 2017.
- 1 November 2017: On 25 October 2017, the Company has entered into an agreement to purchase newly issued shares of Khanh Hoa Sugar Joint Stock Company and took 65% equity interest. The transaction has been completed on 1 November 2017. From 14 November 2017, Khanh Hoa Sugar Joint Stock Company changed its name to Viet Nam Sugar Joint Stock Company.
- 23 November 2018: In July 2018, the Company entered into an agreement to acquire 51% equity interest of Lao-Jagro Development Xiengkhouang Co., Ltd to develop a complex high-tech beef – dairy farms. The transaction was completed on 23 November 2018.

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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

3. Normal operating cycle

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

4. Group structure

As at 31 December 2018, the Group had 7 subsidiaries and 3 associates (1 January 2018: 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 Holding 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	Dairy raw materials and animal trading	100.00%
• Vietnam Sugar Joint Stock Company	Thuy Xuong Village, Suoi Hiep Commune, Dien Khanh District, Khanh Hoa Province	Sugar producing and refining	65.00%
• Lao-Jagro Development Xiengkhouang Co., Ltd. (*)	Boungvene Village, Paek District, Xiengkhouang Province, Lao PDR	Dairy cow raising and agricultural products trading	51.00%

(*) In November 2018, the Company completed its acquisition of 51% equity interest of Lao-Jagro Development Xiengkhouang Co., Ltd.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(b) Associates

Name	Location	Principal activities	% of ownership/ voting rights
• Miraka Holding 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	20.00%
• 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%

(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.
- 9/ Tien Son Dairy Factory – Tien Son Industrial Park, Bac Ninh Province.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

- 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, Ha Noi City.

Clinic:

- 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 2018, the Group had 8,082 employees (1/1/2018: 7,845 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 and presentation currency

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

III. ACCOUNTING STANDARDS AND SYSTEM

1. Statement of compliance

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

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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(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.

(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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

2. Foreign currency

(a) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at actual 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 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. 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.

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, include those with maturity periods more than 12 months 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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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.

Held-to-maturity 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 granted 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 debt 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.

(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 Board of Management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that 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 period 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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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.

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, and the costs of dismantling and removing the asset and restoring the site on which it is located. 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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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 life 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 life 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.

(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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(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 life land use rights are not amortised.

10. Construction in progress

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

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.

(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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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. Accounts payable 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 period 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 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 period based on the term stated in the respective contracts.

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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

16. Share capital

(a) Ordinary shares

Ordinary shares are stated at par value. Excess of cash received from share issues over par value is recorded as share premium. 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 reissued subsequently, the cost of shares reissued are calculated on weighted average basis, any surplus or deficit of proceed over cost is recorded in 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.

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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

18. Revenue and other income

(a) Goods sold

Revenue from the sale of goods is recognised in the consolidated statement of income when 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 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 recognised when the right to receive dividend is established.

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

Revenue from disposal of short-term and long-term 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).

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 incur 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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

20. Cost of sales

Cost of sales comprise the cost of products, goods and 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 and 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 borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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 enterprises, 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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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

1. Business combination

In November 2018, the Company completed the acquisition of 51% equity interest of Lao-Jagro Development Xiengkhouang Co., Ltd. (“LDX”) for a total consideration of VND135,002,631,045, 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	145,375,650	-	145,375,650
Accounts receivable – short-term	835,604,154	-	835,604,154
Other short-term receivables	38,799,758,764	-	38,799,758,764
Inventories	24,644,142,544	-	24,644,142,544
Short-term prepaid expenses	2,137,709,133	-	2,137,709,133
Tangible fixed assets	75,902,380,474	-	75,902,380,474
<i>Cost</i>	<i>118,155,044,070</i>	-	<i>118,155,044,070</i>
<i>Accumulated depreciation</i>	<i>(42,252,663,596)</i>	-	<i>(42,252,663,596)</i>
Construction in progress	41,775,811,751	-	41,775,811,751
Long-term prepaid expenses	-	112,529,876,900	112,529,876,900
Accounts payable to suppliers	(5,488,382,090)	-	(5,488,382,090)
Advances from customers	(6,755,429,100)	-	(6,755,429,100)
Short-term accrued expenses	(2,504,390,000)	-	(2,504,390,000)
Other short-term payables	(228,683,337,537)	-	(228,683,337,537)
Long-term accrued expenses	(2,066,284,442)	-	(2,066,284,442)
Deferred tax liabilities	-	(22,505,975,380)	(22,505,975,380)
Net identifiable assets and liabilities	(61,257,040,699)	90,023,901,520	28,766,860,821
Share of net assets acquired (51%)			14,671,099,019
Goodwill on acquisition (Note V.14)			120,331,532,026
Total considerations			135,002,631,045
Cash acquired			145,375,650
Net cash outflow			(134,857,255,395)

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

The acquisition was on 23 November 2018; 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 2018 is insignificant.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

2. Cash and cash equivalents

	31/12/2018 VND	1/1/2018 VND
Cash on hand	1,853,588,837	2,451,074,646
Cash in bank	988,996,467,314	831,957,513,762
Cash in transit	81,760,111,520	27,325,756
Cash equivalents	450,000,000,000	128,900,000,000
	1,522,610,167,671	963,335,914,164

3. Accounts receivable from customers

(a) Accounts receivable from customers – short-term

	31/12/2018 VND	1/1/2018 VND
Receivables from customers	3,380,017,354,930	3,613,981,838,047

(b) Accounts receivable from customers – long-term

	31/12/2018 VND	1/1/2018 VND
SIG Combibloc Ltd	67,658,410,631	29,973,948,684

(c) Accounts receivable from related parties

	31/12/2018 VND	1/1/2018 VND
Associate		
APIS Corporation	-	136,184,400

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(d) Short-term allowance for doubtful debts

Movements of short-term allowance for doubtful debts during the year were as follows:

	2018 VND	2017 VND
Opening balance	(13,193,973,536)	(4,168,573,420)
Increase in allowance during the year	(4,925,309,687)	(5,847,869,352)
Increase from business acquisition	-	(4,587,629,312)
Allowance written off during the year	21,001,389	-
Allowance used during the year	6,933,068,631	1,404,130,066
Currency translation differences	(97,967,889)	5,968,482
Closing balance	(11,263,181,092)	(13,193,973,536)

4. Other receivables

(a) Other short-term receivables

	31/12/2018 VND	1/1/2018 VND
Interest income from deposits	202,996,875,720	297,901,556,067
Interest income from bonds	-	4,595,917,808
Receivables from employees	3,086,744,596	3,361,739,097
Advances to employees	1,758,960,406	2,791,137,549
Short-term deposits	5,056,861,106	29,053,532,031
Import tax refundable	6,487,398,794	11,286,997,201
Rebate income receivable from suppliers	67,394,546,080	-
Others	107,754,085,236	18,859,763,825
	394,535,471,938	367,850,643,578

(b) Other long-term receivables

	31/12/2018 VND	1/1/2018 VND
Collateral, deposits	12,641,321,463	12,179,698,092
Others	5,000,000,000	6,247,684,826
	17,641,321,463	18,427,382,918

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

5. Investments

(a) Trading securities

	31/12/2018		1/1/2018	
	Carrying amount VND	Fair value VND	Allowance for diminution in value VND	Carrying amount VND
				Fair value VND
				Allowance for diminution in value VND
Short-term investments in shares:				
▪ Bao Viet Joint Stock Commercial Bank (*)	442,000,000,000	442,000,000,000	-	442,000,000,000
▪ Others	1,154,262,451	548,543,733	(605,728,258)	455,157,504
	443,154,262,451	442,548,543,733	(605,728,258)	442,455,157,504
				(675,708,019)

(*) 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 fair value of the securities represented the expected realisable amount.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(b) Held-to-maturity investments

	Note	31/12/2018 VND	1/1/2018 VND
Held-to-maturity investments – short-term			
▪ term deposits	(*)	8,231,378,417,697	9,929,259,273,833
▪ corporate bonds		-	190,000,000,000
		8,231,378,417,697	10,119,259,273,833
Held-to-maturity investments – long-term			
▪ term deposits	(**)	500,000,000,000	-
		500,000,000,000	-

(*) At 31 December 2018 term deposits with carrying amount of VND84,000 million (1/1/2018: VND82,977 million) were pledged with banks as security for loans granted to the Group (Note V.16(b)(i)).

The amounts represented term deposits at banks with the remaining term to maturity of 1 to 12 months and earned interest at rates ranging from 3.80% to 8.00% per annum (for the year ended 31 December 2017: from 4.20% to 7.35% per annum).

(**) The amounts represented term deposits at banks with the remaining term to maturity of over 12 months and earned interest at 7.30% per annum.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

(c) Investments in other entities	31 December 2018				1 January 2018			
	% of equity owned and voting rights	Cost VND	Fair value VND	Allowance for diminution in value VND	% of equity owned and voting rights	Cost VND	Fair value VND	Allowance for diminution in value VND
Investments in associates								
▪ Miraka Holding Limited	22.81%	383,178,796,529	(*)	-	22.81%	383,002,013,497	(*)	-
▪ Asia Coconuts Processing Joint Stock Company	25.00%	90,176,090,417	(*)	-	25.00%	86,858,993,107	(*)	-
▪ APIS Corporation (**)	20.00%	24,143,852,671	(*)	-	18.00%	11,421,715,965	(*)	-
		497,498,739,617		-		481,282,722,569		-
Equity investment in other entities								
▪ Asia Saigon Food Ingredients Joint Stock Company		69,261,607,154	(*)	-		69,261,607,154	(*)	-
▪ Vietnam Growth Investment Fund (VF2) (***)		-		-		10,270,276,240	(*)	(7,501,517,042)
▪ An Khang Clinic – Pharmacy		300,000,000	(*)	-		300,000,000	(*)	-
▪ Mien Trung Bovine Breeding JSC		1,688,700,000	(*)	(921,571,652)		1,688,700,000	(*)	(619,873,969)
▪ Others		833,220,000	(*)	-		815,940,000	(*)	-
		72,083,527,154		(921,571,652)		82,336,523,394		(8,121,391,011)
		569,582,266,771		(921,571,652)		563,619,245,963		(8,121,391,011)

(*) 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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

- (**) The Board of Management assessed that the Group had significant influence over this entity because the Group has the right to appoint members in the Board of Directors of this entity. In 2018, the Group purchased additional shares to increase equity interest in this entity from 18% to 20%.
- (***) On 31 January 2018, the Company completed dissolution of its investment in Vietnam Growth Investment Fund.

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

	2018 VND	2017 VND
Opening balance	481,282,722,569	419,909,385,728
Investments	12,250,000,000	86,830,000,000
Reclassification to investment in other entities	-	(69,261,607,154)
Dividends received	(18,467,703,509)	(23,329,037,647)
Share of profit in associates	22,433,720,557	67,133,981,642
Closing balance	497,498,739,617	481,282,722,569

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

	2018 VND	2017 VND
Opening balance	(675,708,019)	(500,629,886)
Increase in allowance during the year	-	(175,958,650)
Allowance written off during the year	83,783,711	-
Currency translation differences	(13,803,950)	880,517
Closing balance	(605,728,258)	(675,708,019)

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

	2018 VND	2017 VND
Opening balance	(8,121,391,011)	(7,490,301,769)
Increase in allowance during the year	(301,697,683)	(104,012,579)
Increase from business acquisition	-	(527,076,663)
Allowance utilised during the year	7,501,517,042	-
Closing balance	(921,571,652)	(8,121,391,011)

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

6. Inventories

	31/12/2018		1/1/2018	
	Carrying amount VND	Allowance VND	Carrying amount VND	Allowance VND
Goods in transit	1,238,073,977,728	-	380,503,277,233	-
Raw materials	2,768,993,402,085	(6,086,246,473)	2,439,272,049,098	(2,135,991,214)
Tools and supplies	28,371,666,681	-	26,711,030,133	-
Work in progress	104,353,403,803	-	77,589,988,406	-
Finished goods	1,338,140,872,718	(6,372,143,153)	1,041,691,837,644	(14,547,884,445)
Merchandise inventories	59,011,157,448	-	41,020,467,002	(2,709,989,802)
Goods on consignment	1,359,868,517	-	34,513,989,095	(849,796,516)
	5,538,304,348,980	(12,458,389,626)	4,041,302,638,611	(20,243,661,977)

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

	2018 VND	2017 VND
Opening balance	(20,243,661,977)	(16,673,491,246)
Increase in allowance during the year	(30,540,848,073)	(9,160,484,387)
Increase from business acquisition	-	(16,052,083,010)
Written back	35,609,112,758	13,028,757,470
Allowance used during the year	2,717,007,666	8,613,639,196
Closing balance	(12,458,389,626)	(20,243,661,977)

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.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

8. Construction in progress

	2018	2017
	VND	VND
Opening balance	1,746,890,968,380	865,440,052,609
Additions	2,522,897,009,069	2,437,605,929,161
Increase from business acquisition (Note V.1)	41,775,811,751	44,275,267,976
Transfer to tangible fixed assets	(3,506,082,322,887)	(1,505,861,968,991)
Transfer to intangible fixed assets	(9,493,334,500)	(11,957,912,736)
Transfer to investment properties	-	(6,954,545,455)
Transfer to inventories	(7,369,748,224)	(2,929,898,206)
Transfer to short-term prepaid expenses	(1,578,803,935)	(4,439,398,575)
Transfer to long-term prepaid expenses	(92,804,867,250)	(27,956,225,152)
Disposals	(29,427,130,703)	(1,419,928,274)
Other decreases	(11,114,841,576)	(38,897,739,866)
Currency translation differences	154,937,879	(12,664,111)
Closing balance	653,847,678,004	1,746,890,968,380

Major constructions in progress were as follows:

	31/12/2018	1/1/2018
	VND	VND
Tien Son Dairy Factory	118,287,279,593	7,647,715,001
Thong Nhat Thanh Hoa Dairy Cow Farm	199,731,336,725	404,442,492,838
Others	335,829,061,686	1,334,800,760,541
	653,847,678,004	1,746,890,968,380

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

9. Tangible fixed assets

Cost	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Livestock VND	Others VND	Total VND
Opening 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
Additions	27,007,089,837	604,113,171,496	42,896,327,950	70,112,666,214	74,161,762,305	-	818,291,017,802
Transfer from inventories	-	-	-	-	182,089,084,681	-	182,089,084,681
Transfer from construction in progress	530,341,603,378	2,862,320,136,493	72,699,095,464	37,660,175,139	-	3,061,312,413	3,506,082,322,887
Transfer to investment property	(3,042,107,250)	-	-	-	-	-	(3,042,107,250)
Increase from business acquisition (Note V.1)	12,796,743,960	20,092,302,252	5,611,277,814	10,167,213,595	69,487,506,449	-	118,155,044,070
Reclassification	596,510,716	(128,188,272)	571,933,621	(1,040,256,065)	-	-	-
Disposals	(19,295,997,118)	(365,818,949,676)	(14,030,150,991)	(9,801,380,561)	(194,297,937,614)	(1,281,426,371)	(604,525,842,331)
Other decreases	-	-	-	-	(2,926,227,380)	-	(2,926,227,380)
Currency translation differences	3,587,369,716	15,003,899,057	2,191,519,262	405,364,750	(388,114,968)	1,319,532	20,801,357,349
Closing balance	4,495,227,310,593	15,705,241,140,444	1,091,063,924,291	645,341,744,810	999,183,103,832	16,303,226,342	22,952,360,450,312
Accumulated depreciation							
Opening balance	1,238,923,259,212	6,297,570,079,076	466,335,129,879	405,033,023,727	217,959,537,855	1,098,151,871	8,626,919,181,620
Charge for the year	205,617,980,099	1,096,142,787,334	96,567,501,674	53,546,831,467	151,831,644,760	628,632,180	1,604,335,377,514
Transfer to investment property	(2,331,508,157)	-	-	-	-	-	(2,331,508,157)
Increase from business acquisition (Note V.1)	2,247,935,344	8,285,984,953	1,625,116,127	4,673,978,668	25,419,648,504	-	42,252,663,596
Reclassification	3,419,075,283	(4,473,991,600)	16,620,323	1,038,295,994	-	-	-
Disposals	(8,649,811,916)	(269,100,104,150)	(10,210,748,104)	(9,753,398,852)	(80,113,881,616)	(157,666,994)	(377,985,611,632)
Other decreases	-	-	-	-	(148,612,000)	-	(148,612,000)
Currency translation differences	1,165,396,055	8,866,047,795	1,344,961,146	314,297,044	(136,983,980)	(6,190,125)	11,547,527,935
Closing balance	1,440,392,325,920	7,137,290,803,408	555,678,581,045	454,853,028,048	314,811,353,523	1,562,926,932	9,904,589,018,876
Net book value							
Opening balance	2,704,312,838,142	6,272,088,690,018	514,788,791,292	132,804,938,011	653,097,492,504	13,423,868,897	10,290,516,618,864
Closing balance	3,054,834,984,673	8,567,950,337,036	535,385,343,246	190,488,716,762	684,371,750,309	14,740,299,410	13,047,771,431,436

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

Included in the cost of tangible fixed assets were assets costing VND3,051,391 million which were fully depreciated as at 31 December 2018 (1/1/2018: VND2,223,578 million), but which are still in active use.

At 31 December 2018 tangible fixed assets with net book value of VND417,751 million (1/1/2018: VND624,701 million) were pledged with banks as security for loans granted to the Group (Note V.16(a)(iii) and Note V.16(b)(i)).

10. Intangible fixed assets

	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	272,302,189,084	148,064,099,477	49,183,050,000	469,549,338,561
Additions	-	1,146,206,000	-	1,146,206,000
Transfer from construction in progress	-	9,493,334,500	-	9,493,334,500
Transfer to investment property	(937,505,205)	-	-	(937,505,205)
Disposals/written off	-	(9,185,470,118)	-	(9,185,470,118)
Currency translation differences	4,423,062,254	38,870,400	1,041,600,000	5,503,532,654
Closing balance	275,787,746,133	149,557,040,259	50,224,650,000	475,569,436,392
Accumulated amortisation				
Opening balance	11,620,088,484	105,819,220,094	33,317,550,000	150,756,858,578
Charge for the year	18,028,947	15,930,322,866	-	15,948,351,813
Transfer to investment property	(324,521,046)	-	-	(324,521,046)
Disposals/written off	-	(9,117,467,783)	-	(9,117,467,783)
Currency translation differences	-	18,447,168	705,600,000	724,047,168
Closing balance	11,313,596,385	112,650,522,345	34,023,150,000	157,987,268,730
Net book value				
Opening balance	260,682,100,600	42,244,879,383	15,865,500,000	318,792,479,983
Closing balance	264,474,149,748	36,906,517,914	16,201,500,000	317,582,167,662

Included in the cost of intangible fixed assets were assets costing VND54,118 million which were fully amortised as at 31 December 2018 (1/1/2018: VND57,675 million), but which are still in use.

At 31 December 2018 intangible fixed assets with net book value of VND229,476 million (1/1/2018: VND224,717 million) were pledged with banks as security for loans granted to the Group (Note V.16(b)(i)).

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

11. Investment property

	Land use rights VND	Infrastructure VND	Buildings VND	Total VND
Cost				
Opening balance	38,884,288,170	6,464,218,561	97,992,331,437	143,340,838,168
Transfer from tangible fixed assets	-	-	3,042,107,250	3,042,107,250
Transfer from intangible fixed assets	937,505,205	-	-	937,505,205
Closing balance	39,821,793,375	6,464,218,561	101,034,438,687	147,320,450,623
Accumulated depreciation				
Opening balance	3,438,746,575	5,186,933,954	39,441,887,111	48,067,567,640
Charge for the year	847,643,745	611,363,990	4,889,645,286	6,348,653,021
Transfer from tangible fixed assets	-	-	2,331,508,157	2,331,508,157
Transfer from intangible fixed assets	324,521,046	-	-	324,521,046
Closing balance	4,610,911,366	5,798,297,944	46,663,040,554	57,072,249,864
Net book value				
Opening balance	35,445,541,595	1,277,284,607	58,550,444,326	95,273,270,528
Closing balance	35,210,882,009	665,920,617	54,371,398,133	90,248,200,759

The Group's investment property represented 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 million which were fully depreciated as at 31 December 2018 (1/1/2018: VND7,892 million), but which are still in active use.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

12. Prepaid expenses

(a) Short-term prepaid expenses

	31/12/2018	1/1/2018
	VND	VND
Software deployment and networks maintenance expenses	5,593,701,960	4,659,874,251
Advertising expenses	1,760,281,563	3,141,628,217
Maintenance expenses	181,380,023	1,282,268,280
Operating lease expenses	1,604,474,481	4,400,080,539
Tools and supplies expenses	16,273,567,247	14,812,192,425
Renovation and repair expenses	11,759,637,267	4,166,496,897
Other short-term prepaid expenses	17,648,077,716	19,470,640,504
	54,821,120,257	51,933,181,113

(b) Long-term prepaid expenses

	Prepaid	Tools and	Other prepaid	Total
	land costs	instruments	expenses	VND
	VND	VND	VND	VND
Opening balance	317,241,313,206	246,564,406,543	48,329,090,256	612,134,810,005
Additions	256,036,800	95,546,199,500	23,510,740,991	119,312,977,291
Transfer from construction in progress	1,343,676,077	25,001,818,254	66,459,372,919	92,804,867,250
Other increase from business acquisition (Note V.1)	112,529,876,900	-	-	112,529,876,900
Amortisation for the year	(9,430,110,244)	(139,196,390,073)	(38,084,242,973)	(186,710,743,290)
Other increases/(decreases)	141,385,401	(269,097,633)	(304,618,762)	(432,330,994)
Currency translation differences	692,520,336	242,910,149	24,588,657	960,019,142
Closing balance	422,774,698,476	227,889,846,740	99,934,931,088	750,599,476,304

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

13. Deferred tax assets and liabilities

(a) Deferred tax assets

	Tax rate	31/12/2018 VND	1/1/2018 VND
Deferred tax assets			
Foreign exchange differences	20%	4,506,066,449	327,773,815
Accrued expenses and provisions	20%	31,954,599,399	30,067,817,400
		<hr/>	<hr/>
		36,460,665,848	30,395,591,215
Deferred tax liabilities			
Foreign exchange differences	20%	-	(822,335)
		<hr/>	<hr/>
Net deferred tax assets		36,460,665,848	30,394,768,880

(b) Deferred tax liabilities

	31/12/2018 VND	1/1/2018 VND
Deferred tax assets		
Accounts receivable	1,172,386,830	1,442,785,905
Inventories	941,746,905	1,332,520,680
Tax losses carry forwards	31,369,020,270	50,205,264,165
Accrued expenses	5,670,987,900	6,978,394,845
Others	2,500,562,655	5,335,318,335
	<hr/>	<hr/>
Total deferred tax assets	41,654,704,560	65,294,283,930
Deferred tax liabilities		
Fixed assets	(221,960,420,440)	(245,562,341,369)
Others	(24,451,998,151)	(23,350,049,625)
	<hr/>	<hr/>
Total deferred tax liabilities	(246,412,418,591)	(268,912,390,994)
	<hr/>	<hr/>
Net deferred tax liabilities	(204,757,714,031)	(203,618,107,064)

Deferred tax liabilities have been recognised on taxable temporary differences and tax losses using the effective tax rate of Driftwood Dairy Holding Corporation, Angkor Dairy Products Co., Ltd and Vietnam Sugar Joint Stock Company, subsidiaries incorporated and operating in the United States of America, Cambodia and Vietnam, respectively.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

14. Goodwill

	2018 VND	2017 VND
Opening balance	474,930,098,235	123,983,090,462
Increase from business acquisition (Note V.1)	120,331,532,026	375,568,405,799
Charge for the year	(56,921,527,942)	(24,621,398,026)
Closing balance	538,340,102,319	474,930,098,235

15. Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	31/12/2018		1/1/2018	
	Carrying amount VND	Repayable amount VND	Carrying amount VND	Repayable amount VND
Dai Tan Viet Joint Stock Company	691,822,724,098	691,822,724,098	811,664,433,728	811,664,433,728
Other suppliers	3,299,241,982,013	3,299,241,982,013	3,154,026,689,429	3,154,026,689,429
	3,991,064,706,111	3,991,064,706,111	3,965,691,123,157	3,965,691,123,157

(b) Accounts payable to related parties

	31/12/2018 VND	1/1/2018 VND
Associate		
APIS Corporation	17,295,725,739	40,890,765,724

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

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

16. Borrowings

(a) Short-term borrowings

	1/1/2018 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2018 VND
Short-term borrowings	208,204,796,087	6,246,021,226,056	(5,454,072,234,516)	2,031,364,702	1,002,185,152,329
Current portion of long-term borrowings	59,897,250,000	63,266,500,000	(66,416,000,000)	1,114,750,000	57,862,500,000
	268,102,046,087	6,309,287,726,056	(5,520,488,234,516)	3,146,114,702	1,060,047,652,329

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

Lenders	Note	Currency	Annual interest rate	31/12/2018 VND	1/1/2018 VND
The Bank of Tokyo -Mitsubishi UFJ Ltd., Ho Chi Minh City Branch	(i)	VND	5.15%	700,000,000,000	-
Wells Fargo	(ii)	USD	4.59%	67,170,339,517	108,204,796,087
Joint Stock Commercial Bank for Investment and Development of Vietnam	(iii)	VND	5.85% - 6.00%	135,014,812,812	-
Vietnam Bank for Agriculture and Rural Development	(iii)	VND	5.50% - 6.00%	100,000,000,000	100,000,000,000
				1,002,185,152,329	208,204,796,087

(i) This loan was unsecured.

(ii) This loan was secured by accounts receivable from customers with carrying amount of VND278,495 million as at 31 December 2018 (1/1/2018: VND211,976 million).

(iii) These loans were secured by fixed assets with carrying amount of VND250,736 million as at 31 December 2018 (1/1/2018: VND459,754 million) (Note V.9).

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

(b) Long-term borrowings

	1/1/2018 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2018 VND
Long-term borrowings	334,846,689,387	56,236,683	(67,614,006,709)	6,372,500,000	273,661,419,361
Current portion of long-term borrowings	(59,897,250,000)	(63,266,500,000)	66,416,000,000	(1,114,750,000)	(57,862,500,000)
	274,949,439,387	(63,210,263,317)	(1,198,006,709)	5,257,750,000	215,798,919,361

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

Lenders	Note	Currency	Annual interest rate	Year of maturity	31/12/2018 VND	1/1/2018 VND
Sumitomo Mitsui Banking Corporation, Ho Chi Minh City Branch	(i)	USD	4.11%	2020	266,167,500,000	317,310,000,000
Individuals	(ii)	VND	5.40%	2039	7,493,919,361	8,635,689,387
Joint Stock Commercial Bank for Investment and Development of Vietnam		VND	5.40%	2018	-	8,900,000,000
Vietnam Bank for Agriculture and Rural Development		VND	5.40%	2018	-	1,000,000
					273,661,419,361	334,846,689,387

(i) This loan was secured by term deposits and fixed assets with carrying amount of VND84,000 million (1/1/2018: VND82,977 million) (Note V.5(b)) and VND396,491 million (1/1/2018: VND389,664 million) (Note V.9, V.10), respectively, as at 31 December 2018.

(ii) This loan was unsecured.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

17. Taxes payable to State Treasury

	1/1/2018 VND	Incurred VND	Paid VND	Currency translation differences VND	31/12/2018 VND
Value added tax	84,857,613,061	2,103,139,927,789	(2,115,362,640,073)	132,777,329	72,767,678,106
Corporate income tax	245,381,105,644	1,874,905,225,483	(1,879,580,376,609)	(88,507,261)	240,617,447,257
Personal income tax	45,575,976,197	211,008,522,416	(242,705,340,810)	4,801,931	13,883,959,734
Import tax	1,311,030,778	181,481,732,608	(170,209,454,529)	17,665,998	12,600,974,855
Other taxes	6,188,357,317	64,712,111,575	(69,126,269,806)	24,788,585	1,798,987,671
	383,314,082,997	4,435,247,519,871	(4,476,984,081,827)	91,526,582	341,669,047,623

18. Short-term accrued expenses

	31/12/2018 VND	1/1/2018 VND
Sale incentives, promotion	776,107,581,197	809,759,170,326
Advertising expenses	94,497,076,043	155,863,127,207
Transportation expenses	79,971,625,109	63,804,058,530
Repair and maintenance expenses	28,619,830,706	26,287,942,358
Fuel expenses	13,191,035,875	13,794,033,974
Expenses for outsourced employees	102,360,840,273	61,056,856,176
Rental fees	4,735,827,809	4,302,136,374
Interest expense	230,824,640,480	290,197,560,228
Others	106,924,075,242	103,223,060,285
	1,437,232,532,734	1,528,287,945,458

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

19. Other short-term payables

	31/12/2018	1/1/2018
	VND	VND
Insurance and trade union fees	3,967,101,640	1,399,249,266
Short-term deposits received	35,007,209,187	80,343,110,431
Outstanding cheques in exceed of bank balance	43,268,352,898	41,036,115,977
Other payables relating to financial investments (*)	462,487,474,055	448,007,419,155
Dividend payables	1,741,407,855,000	2,176,917,780,000
Import duty payables	13,862,123,850	22,482,594,509
Others	240,327,835,302	13,637,908,646
	2,540,327,951,932	2,783,824,177,984

- (*) 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)).

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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:

	2018 VND	2017 VND
Opening balance	692,489,769,561	456,785,376,550
Appropriation (Note V.22)	1,006,694,001,566	1,071,655,246,780
Other increases	149,174,000	-
Utilisation	(1,192,319,508,077)	(835,950,853,769)
Closing balance	507,013,437,050	692,489,769,561

21. Provision

(a) Provision – short-term

	31/12/2018 VND	1/1/2018 VND
Provision for severance allowance (Note V.21(b))	4,502,303,315	-
Provision for regular fixed assets maintenance	-	603,744,795
Closing balance	4,502,303,315	603,744,795

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(b) Provision – long-term

Movement of provision for severance allowance during the year were as follows:

	Provision for severance allowance	
	2018	2017
	VND	VND
Opening balance	102,523,428,175	95,960,585,167
Increase in provision during the year	3,235,466,057	6,952,419,190
Increase from business acquisition	-	1,851,507,401
Provision reversed during the year	(95,155,903,798)	-
Provision used during the year	(3,588,000,731)	(2,241,083,583)
Closing balance	7,014,989,703	102,523,428,175
Provision – short-term (Note V.21(a))	4,502,303,315	-
Provision – long-term	2,512,686,388	102,523,428,175

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

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 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	-	-	-	-	-	(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 (Note V.20)	-	-	-	-	-	(1,071,655,246,780)	-	(1,071,655,246,780)
Other increase from business acquisition	-	-	-	-	-	-	513,052,965,331	513,052,965,331
Dividends (Note V.24)	-	-	-	-	-	(7,982,272,776,030)	(452,720,796)	(7,982,725,496,826)
Currency translation differences	-	-	-	12,712,763,680	-	-	(50,040,357)	12,662,723,323
As at 1 January 2018	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
Capital increase from bonus shares	2,902,343,640,000	(260,699,620,761)	-	-	(2,641,644,019,239)	-	-	-
Purchase of treasury shares	-	-	(3,325,885,560)	-	-	-	-	(3,325,885,560)
Net profit for the year	-	-	-	-	-	10,227,281,151,464	(21,651,440,225)	10,205,629,711,239
Appropriation to equity funds	-	-	-	-	981,410,982,604	(981,410,982,604)	-	-
Appropriation to bonus and welfare fund (Note V.20)	-	-	-	-	-	(1,006,694,001,566)	-	(1,006,694,001,566)
Other increase from business acquisition (Note V.1)	-	-	-	-	-	-	14,095,761,802	14,095,761,802
Dividends (Note V.24)	-	-	-	-	-	(6,820,662,482,500)	-	(6,820,662,482,500)
Currency translation differences	-	-	-	9,268,374,651	-	-	-	9,268,374,651
As at 31 December 2018	17,416,877,930,000	-	(10,485,707,360)	27,635,831,784	1,191,672,373,593	7,155,434,314,256	490,234,549,654	26,271,369,291,927

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

23. Share capital

The Company's authorised and issued share capital are:

	31/12/2018		1/1/2018	
	Number of shares	VND	Number of shares	VND
Authorised share capital	1,741,687,793	17,416,877,930,000	1,451,453,429	14,514,534,290,000
Issued shares				
Ordinary shares	1,741,687,793	17,416,877,930,000	1,451,453,429	14,514,534,290,000
Treasury shares				
Ordinary shares	(276,210)	(10,485,707,360)	(174,909)	(7,159,821,800)
Shares currently in circulation				
Ordinary shares	1,741,411,583	17,406,392,222,640	1,451,278,520	14,507,374,468,200

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:

	31/12/2018		1/1/2018	
	VND	%	VND	%
The State's capital	6,270,638,350,000	36.00%	5,225,531,960,000	36.00%
Other shareholders' capital	11,146,239,580,000	64.00%	9,289,002,330,000	64.00%
	17,416,877,930,000	100.00%	14,514,534,290,000	100.00%

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

Movements in share capital during the year were as follows:

	2018	2017
	VND	VND
Opening balance	14,514,534,290,000	14,514,534,290,000
Capital increase from bonus shares	2,902,343,640,000	-
Closing balance	17,416,877,930,000	14,514,534,290,000

On 13 September 2018, there were 290,234,364 of bonus shares issued to existing shareholders at the ratio of 1 new share for each 5 existing ordinary shares held.

24. Dividends

Pursuant to the Resolution of Annual General Meeting of Shareholders, the Board of Management of the Company on 22 May 2018, 11 May 2018 and 30 November 2018, resolved to distribute dividends in relation to 2017 and 2018 profits, respectively, amounting to VND6,821 billion (VND1,500 per share for remaining dividends for the fiscal year 2017, VND2,000 per share for the first distribution for the fiscal year 2018 and VND1,000 per share for the second advance distribution for the fiscal year 2018) (for the year ended 31 December 2017: 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)).

25. Off balance sheet items

(a) Foreign currencies

	31/12/2018		1/1/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
▪ USD	5,789,336.73	133,994,198,570	6,619,329.09	150,027,087,935
▪ EUR	3,219.93	84,845,156	5,372.56	145,075,238
		134,079,043,726		150,172,163,173

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

(b) Lease

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

	2018 VND	2017 VND
Within one year	27,981,487,983	30,244,538,695
Within two to five years	71,434,602,290	80,477,328,608
More than five years	435,377,745,996	448,114,634,886
	534,793,836,269	558,836,502,189

(c) Capital expenditure commitments

As at 31 December 2018, the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	2018 VND	2017 VND
Approved and contracted	2,623,320,438,226	3,485,831,940,766

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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:

	2018 VND	2017 VND
Total revenue		
▪ Sales of finished goods	49,745,065,429,571	49,523,686,146,653
▪ Sales of merchandise goods	2,614,444,875,983	1,448,675,991,957
▪ Other services	61,508,966,437	62,526,876,757
▪ Rental income from investment property	16,985,591,588	17,187,652,809
▪ Others	191,225,563,705	82,823,096,903
	<hr/> 52,629,230,427,284	<hr/> 51,134,899,765,079
Less revenue deductions		
▪ Sale discounts	24,468,134,008	17,388,158,838
▪ Sale returns	42,812,322,684	76,435,721,132
	<hr/> 67,280,456,692	<hr/> 93,823,879,970
Net revenue	<hr/> 52,561,949,970,592	<hr/> 51,041,075,885,109

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

	2018 VND	2017 VND
Associates		
APIS Corporation	300,586,875	724,272,400
Asia Saigon Food Ingredients Joint Stock Company (until 11 November 2017)	-	3,338,193,979
Total revenue from sales to associates	<hr/> 300,586,875	<hr/> 4,062,466,379

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

2. Cost of sales

	2018 VND	2017 VND
Total cost of sales		
▪ Finished goods sold	25,425,663,035,832	24,916,638,222,738
▪ Merchandise goods sold	2,112,022,699,812	1,256,346,586,241
▪ Promotional goods sold	256,520,352,313	594,166,234,679
▪ Operating costs of investment property	8,429,185,015	8,579,497,255
▪ Other services	13,149,311,550	11,151,600,462
▪ Inventories losses	77,588,612	645,547,529
▪ Under-capacity costs	75,786,414,033	23,271,650,655
▪ Decrease of allowance for inventories	(5,068,264,685)	(3,868,273,083)
▪ Other cost of sales	63,963,179,019	-
	27,950,543,501,501	26,806,931,066,476

3. Financial income

	2018 VND	2017 VND
Interest income from deposits	665,813,438,377	742,774,443,564
Interest income from corporate bonds	10,936,582,192	27,292,691,779
Foreign exchange gains	55,684,233,977	46,014,816,848
Dividends	1,826,192,791	25,820,495
Others	25,656,943,664	209,005,849
	759,917,391,001	816,316,778,535

4. Financial expenses

	2018 VND	2017 VND
Interest expense on borrowings	51,367,418,852	29,438,568,563
Interest expense on deposits received	1,309,845,580	3,752,873,000
Losses from disposals of investments	1,982,981,082	-
Foreign exchange losses	58,022,973,593	53,391,517,007
Allowance for diminution in value of financial investments	217,913,972	279,971,229
Payment discounts for customers	5,102,194,900	-
Others	3,673,695	174,618,477
	118,007,001,674	87,037,548,276

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

5. Other income

	2018 VND	2017 VND
Proceeds from disposals of fixed assets	186,918,575,989	167,762,208,469
Proceeds from disposals of construction in progress	1,280,571,165	1,202,551,910
Compensations received from other parties	6,713,533,550	7,585,177,670
Rebate income from suppliers	127,151,102,534	16,782,902,629
Others	128,183,546,742	19,747,745,752
	450,247,329,980	213,080,586,430

6. Other expenses

	2018 VND	2017 VND
Book value of fixed assets disposed	226,608,233,034	177,736,385,034
Book value of construction in progress disposed	29,427,130,703	1,419,928,274
Others	19,029,140,872	31,397,076,631
	275,064,504,609	210,553,389,939

7. Selling expenses

	2018 VND	2017 VND
Staff costs	603,641,303,823	622,545,208,483
Materials expenses	62,452,892,303	51,352,255,139
Tools and supplies expenses	123,607,444,086	133,205,268,966
Depreciation expenses	40,456,552,631	42,122,483,249
Expenses of damaged goods	44,550,977,735	41,497,531,083
Transportation expenses	623,818,802,250	589,183,894,539
Outside service expenses	488,367,274,042	392,945,241,788
Advertising and market research expenses	1,754,565,156,017	1,990,534,713,776
Promotion, product display expenses and, support and commission expenses for distributors	8,524,476,503,546	7,673,146,974,776
	12,265,936,906,433	11,536,533,571,799

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

8. General and administration expenses

	2018 VND	2017 VND
Staff costs	430,316,233,422	627,079,060,927
Materials expenses	43,307,886,827	24,434,850,707
Office supplies	22,088,490,674	18,731,423,006
Depreciation expenses	91,455,776,516	83,657,032,630
Fees and duties	13,474,172,283	14,834,558,600
Allowance for doubtful debts and provision for severance allowance	7,448,548,203	12,800,288,542
Transportation expenses	38,430,575,736	35,446,080,045
Outside service expenses	257,840,111,482	245,962,504,815
Loading expenses	28,000,035,605	17,619,203,907
Per-diem allowances	51,120,138,866	53,553,837,915
Bank charges	11,841,257,499	11,023,101,136
Others	137,977,004,677	122,464,328,860
	1,133,300,231,790	1,267,606,271,090

9. Production and business costs by element

	2018 VND	2017 VND
Raw material costs included in production costs	22,569,828,439,864	21,119,545,561,711
Labour costs and staff costs	2,116,120,236,299	2,321,877,650,601
Depreciation and amortisation	1,617,572,091,599	1,288,433,647,949
Outside services	2,473,261,223,328	2,230,092,134,374
Other expenses	11,200,481,378,273	10,884,691,278,695

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

10. Income tax

(a) Recognised in the consolidated statement of income

	2018 VND	2017 VND
Current tax expense		
Current year	1,851,250,566,879	1,967,746,432,342
Under/(over) provision in prior years	23,654,658,604	(679,727,113)
	1,874,905,225,483	1,967,066,705,229
Deferred tax benefit		
Origination and reversal of temporary differences	(28,838,670,599)	(16,295,874,259)
	1,846,066,554,884	1,950,770,830,970

(b) Reconciliation of effective tax rate

	2018 VND	2017 VND
Accounting profit before tax	12,051,696,266,123	12,228,945,384,136
Tax at the Company's tax rate	2,410,339,253,225	2,445,789,076,827
Tax rate differential applied to Company's subsidiaries and factories	(30,301,773,776)	(26,624,013,176)
Tax exempt income	(365,238,558)	(5,164,099)
Non-deductible expenses	8,692,344,114	6,857,771,039
Tax incentives	(547,630,224,699)	(405,743,299,786)
Deferred tax assets not previously recognised	(18,322,464,026)	(68,823,812,722)
Under/(over) provision in prior years	23,654,658,604	(679,727,113)
	1,846,066,554,884	1,950,770,830,970

(c) Applicable tax rates

The companies in the Group are required to pay income tax at rates ranging from 10% to 21%, depending on principle activities of its factories, on taxable profits. The Company and its subsidiaries incurred the income tax charges.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

11. Basic earnings per share

The calculation of earnings per share for the year ended 31 December 2018 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

	2018 VND	2017 VND
Net profit for the year – attributable to ordinary shareholders before appropriation to bonus and welfare fund	10,227,281,151,464	10,295,665,148,846
Appropriation to bonus and welfare fund	(1,006,694,001,566)	(1,071,655,246,780)
Net profit for the year attributable to ordinary shareholders after appropriation to bonus and welfare fund	9,220,587,149,898	9,224,009,902,066

(b) Weighted average number of ordinary shares

	2018 Number of shares	2017 Number of shares (Adjusted retrospectively)
Issued ordinary shares at the beginning of the year	1,451,278,520	1,451,426,329
Effect of treasury shares repurchased during the year	(56,328)	(76,336)
Effect of bonus shares issues (Note V.23)	290,253,883	290,269,999
Weighted average number of ordinary shares for the year ended 31 December	1,741,476,075	1,741,619,992

As at 31 December 2018, the Group did not have potentially dilutive ordinary shares.

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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

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 significant transactions with related parties during the year:

Related party	Relationship	Nature of transaction	2018 VND	2017 VND
Miraka Holding Limited	Associate	Purchases of goods	92,116,872,865	-
APIS Corporation	Associate	Purchase of goods	368,669,693,195	129,049,535,690
		Capital contribution	12,250,000,000	-
Asia Coconuts Processing Joint Stock Company	Associate	Purchases of goods	41,201,750	-
		Purchases of shares	-	86,830,000,000
Member of Board of Management and Board of Directors		Compensation	105,156,020,454	123,523,671,767
The State Capital Investment Corporation	Shareholder	Dividends	2,612,765,980,000	2,283,546,384,000

Vietnam Dairy Products Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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

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		Overseas		Total	
	(Customers located in Vietnam)		(Customers located in countries other than Vietnam)			
	2018	2017	2018	2017	2018	2017
	VND	VND	VND	VND	VND	VND
Net revenue	44,747,261,858,074	43,572,091,099,815	7,814,688,112,518	7,468,984,785,294	52,561,949,970,592	51,041,075,885,109
Cost of sales	(23,804,252,809,032)	(22,916,806,416,790)	(4,146,290,692,469)	(3,890,124,649,686)	(27,950,543,501,501)	(26,806,931,066,476)
Segment income	20,943,009,049,042	20,655,284,683,025	3,668,397,420,049	3,578,860,135,608	24,611,406,469,091	24,234,144,818,633

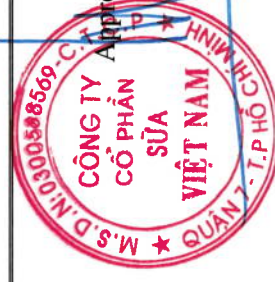
28 February 2019

Prepared by:



Le Thanh Liem
*Executive Director – Finance
cum Chief Accountant*

Approved by:



Mai Kieu Lien
Chief Executive Officer

