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**Masan Nutri-Science Corporation  
and its subsidiaries**

Consolidated Financial Statements  
for the year ended 31 December 2018



## **Masan Nutri-Science Corporation Corporate Information**

### **Business Registration Certificate No.**

0311224517

7 October 2011

The Company's Business Registration Certificate has been amended several times, the most recent of which is dated 9 January 2018. The Business Registration Certificate and its amendments were issued by the Department of Planning and Investment of Ho Chi Minh City.

### **Board of Directors**

Mr Danny Le	Chairman
Mr Yew Kean Lai	Vice Chairman
Mr Pham Trung Lam	Member
Mr David Tan Wei Ming	Member
Mr Tran Phuong Bac	Member

(from 16 April 2018)

### **Board of Management**

Mr Pham Trung Lam	Chief Executive Officer
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### **Registered Office**

10<sup>th</sup> Floor, Central Plaza Tower  
17 Le Duan Street  
Ben Nghe Ward, District 1  
Ho Chi Minh City  
Vietnam

### **Auditor**

KPMG Limited  
Vietnam

## **Masan Nutri-Science Corporation**

### **Statement of the Board of Management**


The Board of Management of Masan Nutri-Science Corporation (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2018.

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

- (a) the consolidated financial statements set out on pages 5 to 54 give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Company’s Board of Management has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Management



Phạm Trung Lam  
Chief Executive Officer

Ho Chi Minh City, 7 March 2019



KPMG Limited Branch  
10<sup>th</sup> Floor, Sun Wah Tower  
115 Nguyen Hue Street, Ben Nghe Ward  
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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders Masan Nutri-Science Corporation**

We have audited the accompanying consolidated financial statements of Masan Nutri-Science Corporation ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet 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 7 March 2019, as set out on pages 5 to 54.

### **Board of Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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

## Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Masan Nutri-Science Corporation 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.: 18-01-00558-19-2



Trương Vinh Phúc  
Practicing Auditor Registration  
Certificate No. 1901-2018-007-1  
Deputy General Director

Ho Chi Minh City, 7 March 2019



Nguyen Ho Khanh Tan  
Practicing Auditor Registration  
Certificate No. 3458-2015-007-1



**Masan Nutri-Science Corporation and its subsidiaries**  
**Consolidated balance sheet 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
<b>ASSETS</b>				
<b>Current assets</b> <b>(100 = 110 + 130 + 140 + 150)</b>	<b>100</b>		<b>3,511,558,016,046</b>	<b>4,605,360,258,462</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>1,358,425,295,976</b>	<b>1,991,970,213,930</b>
Cash	111		126,914,604,976	109,370,213,930
Cash equivalents	112		1,231,510,691,000	1,882,600,000,000
<b>Accounts receivable – short-term</b>	<b>130</b>	<b>5</b>	<b>672,572,056,344</b>	<b>721,641,491,479</b>
Accounts receivable from customers	131		378,053,830,762	671,229,135,033
Prepayments to suppliers	132		377,591,921,874	149,097,590,249
Other short-term receivables	136		23,061,444,057	11,098,412,136
Allowance for doubtful debts	137		(106,135,140,349)	(109,783,645,939)
<b>Inventories</b>	<b>140</b>	<b>6</b>	<b>1,390,582,532,504</b>	<b>1,849,586,764,502</b>
Inventories	141		1,396,159,994,324	1,853,364,528,554
Allowance for inventories	149		(5,577,461,820)	(3,777,764,052)
<b>Other current assets</b>	<b>150</b>		<b>89,978,131,222</b>	<b>42,161,788,551</b>
Short-term prepaid expenses	151		27,486,889,151	20,491,857,353
Deductible value added tax	152		49,131,101,271	10,801,548,703
Taxes receivable from State Treasury	153		13,360,140,800	10,868,382,495

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

**Masan Nutri-Science Corporation and its subsidiaries**  
**Consolidated balance sheet 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
<b>Long-term assets</b> <b>(200 = 210 + 220 + 240 + 250 + 260)</b>	<b>200</b>		<b>9,270,243,742,848</b>	<b>10,015,783,621,934</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>3,095,726,000</b>	<b>1,106,971,584,203</b>
Long-term loans receivable	215		-	1,033,400,000,000
Other long-term receivables	216	5	3,095,726,000	73,571,584,203
<b>Fixed assets</b>	<b>220</b>		<b>6,118,877,391,239</b>	<b>5,684,620,050,544</b>
Tangible fixed assets	221	7	2,536,850,624,080	1,719,343,192,325
Cost	222		3,415,674,102,802	2,323,582,324,487
Accumulated depreciation	223		(878,823,478,722)	(604,239,132,162)
Intangible fixed assets	227	8	3,582,026,767,159	3,965,276,858,219
Cost	228		4,860,265,166,432	4,914,511,493,315
Accumulated amortisation	229		(1,278,238,399,273)	(949,234,635,096)
<b>Long-term work in progress</b>	<b>240</b>		<b>466,397,480,764</b>	<b>600,473,709,906</b>
Construction in progress	242	9	466,397,480,764	600,473,709,906
<b>Long-term financial investments</b>	<b>250</b>		<b>2,174,040,670,779</b>	<b>2,178,564,569,125</b>
Investments in associates	252	10(a)	2,160,836,610,779	2,161,836,849,125
Equity investments in other entities	253	10(b)	21,646,000,000	21,646,000,000
Allowance for diminution in the value of long-term financial investments	254	10(b)	(8,441,940,000)	(4,918,280,000)
<b>Other long-term assets</b>	<b>260</b>		<b>507,832,474,066</b>	<b>445,153,708,156</b>
Long-term prepaid expenses	261	11	419,988,899,218	314,288,716,851
Deferred tax assets	262	12	87,843,574,848	130,864,991,305
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>12,781,801,758,894</b>	<b>14,621,143,880,396</b>

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

**Masan Nutri-Science Corporation and its subsidiaries**  
**Consolidated balance sheet 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
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>5,600,790,137,510</b>	<b>6,078,301,281,472</b>
<b>Current liabilities</b>	<b>310</b>		<b>2,368,878,460,376</b>	<b>3,331,284,168,377</b>
Accounts payable to suppliers	311	13	1,160,699,894,696	855,207,343,919
Advances from customers	312		38,615,928,044	34,349,137,471
Taxes payable to State Treasury	313	14	61,808,353,270	51,134,924,736
Payables to employees	314		14,102,819	-
Accrued expenses	315	15	613,740,820,932	844,214,390,118
Other short-term payables	319	16	33,068,610,309	12,051,779,459
Short-term borrowings	320	17(a)	455,199,707,286	1,528,595,549,654
Bonus and welfare funds	322	18	5,731,043,020	5,731,043,020
<b>Long-term liabilities</b>	<b>330</b>		<b>3,231,911,677,134</b>	<b>2,747,017,113,095</b>
Long-term borrowings and bonds	338	17(b)	2,658,594,303,085	2,115,031,922,047
Deferred tax liabilities	341	12	541,403,429,233	595,887,645,949
Long-term provisions	342	19	31,913,944,816	36,097,545,099
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>7,181,011,621,384</b>	<b>8,542,842,598,924</b>
<b>Owners' equity</b>	<b>410</b>	<b>20</b>	<b>7,181,011,621,384</b>	<b>8,542,842,598,924</b>
Share capital	411	21	2,162,182,990,000	2,162,182,990,000
Shares with voting rights	411a		2,162,182,990,000	2,162,182,990,000
Capital surplus	412		3,200,196,495,149	3,200,196,495,149
Other capital	414	22	(175,543,000,000)	(175,543,000,000)
Undistributed profits after tax	421		24,671,734,409	1,499,493,156,918
(Accumulated losses)/undistributed profits brought forward	421a		(70,898,059,538)	870,464,655,231
Net profit for the current year	421b		95,569,793,947	629,028,501,687
Non-controlling interests	429		1,969,503,401,826	1,856,512,956,857
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>12,781,801,758,894</b>	<b>14,621,143,880,396</b>

7 March 2019

Prepared by:

Tran Quang Be  
Chief Accountant

Approved by:

Nguyen Thi Minh Hang  
Chief Financial Officer



Phạm Trung Lam  
Chief Executive Officer

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



**Masan Nutri-Science Corporation 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 sale of goods	01	25	14,832,735,010,031	19,668,777,852,594
Revenue deductions	02	25	855,880,946,384	978,293,029,703
Net revenue (10 = 01 - 02)	10	25	13,976,854,063,647	18,690,484,822,891
Cost of sales	11	26	11,879,903,811,268	14,699,262,984,653
Gross profit (20 = 10 - 11)	20		2,096,950,252,379	3,991,221,838,238
Financial income	21	27	67,944,590,729	191,198,427,849
Financial expenses	22	28	310,194,622,049	508,607,726,767
<i>In which: Interest expense</i>	23		235,444,066,977	422,368,615,574
Share of profit in associates	24		13,996,334,254	1,896,343,951
Selling expenses	25	29	774,740,372,223	1,916,363,677,645
General and administration expenses	26	30	767,719,558,078	804,895,471,428
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		326,236,625,012	954,449,734,198
Other income	31	31	11,911,924,108	13,373,393,310
Other expenses	32	32	2,255,254,894	11,641,650,962
Results of other activities (40 = 31 - 32)	40		9,656,669,214	1,731,742,348
Accounting profit before tax (50 = 30 + 40)	50		335,893,294,226	956,181,476,546
Income tax expense – current	51	33	115,197,819,341	183,846,487,617
Income tax benefit – deferred	52	33	(11,462,800,259)	(24,620,765,654)
Net profit after tax (60 = 50 - 51 - 52) (carried forward to next page)	60		232,158,275,144	796,955,754,583

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

**Masan Nutri-Science Corporation 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
<b>Net profit after tax (brought forward from previous page)</b>	<b>60</b>		<b>232,158,275,144</b>	<b>796,955,754,583</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		95,569,793,947	629,043,627,720
Non-controlling interests	62		136,588,481,197	167,912,126,863
<b>Earnings per share</b>				
Basic earnings per share	70	34	442	2,977

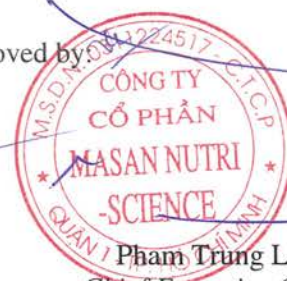
7 March 2019

Prepared by:

Tran Quang Be  
Chief Accountant

Approved by:

Nguyen Thi Minh Hang  
Chief Financial Officer



Pham Trung Lam  
Chief Executive Officer

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

**Masan Nutri-Science Corporation 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)*

	<b>Code</b>	<b>2018 VND</b>	<b>2017 VND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Accounting profit before tax</b>	<b>01</b>	<b>335,893,294,226</b>	<b>956,181,476,546</b>
<b>Adjustments for</b>			
Depreciation and amortisation	02	618,379,983,839	589,746,521,472
Allowances and provisions	03	4,395,506,811	87,291,854,918
Foreign exchange losses/(gains) arising from revaluation of monetary items denominated in foreign currencies	04	2,262,660,626	(1,993,234,264)
Profits from investing activities	05	(81,186,482,934)	(174,657,573,293)
Interest expense and other financial expenses	06	255,855,831,682	491,384,792,041
<b>Operating profit before changes in working capital</b>	<b>08</b>	<b>1,135,600,794,250</b>	<b>1,947,953,837,420</b>
Change in receivables and other current assets	09	221,093,264,351	127,918,421,801
Change in inventories	10	457,204,534,230	1,574,551,712,770
Change in payables and other liabilities	11	(57,815,653,185)	(1,265,595,626,795)
Change in prepaid expenses	12	(35,100,012,147)	(71,766,290,590)
		<b>1,720,982,927,499</b>	<b>2,313,062,054,606</b>
Payments of interest and other financial expenses	14	(252,376,652,761)	(523,641,479,216)
Corporate income tax paid	15	(103,401,857,119)	(260,624,163,999)
Other payments for operating activities	17	(6,904,254,916)	(1,459,801,147)
<b>Net cash flows from operating activities</b>	<b>20</b>	<b>1,358,300,162,703</b>	<b>1,527,336,610,244</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for additions to fixed assets and other long-term assets	21	(1,075,988,891,883)	(653,731,920,608)
Proceeds from disposals of fixed assets	22	6,138,220,611	7,857,873,857
Payments for granting loans	23	-	(1,460,000,000,000)
Receipts from collecting loans	24	96,400,000,000	1,192,300,000,000
Withdrawal of term deposits	24	-	130,000,000
Receipts of interest and dividends	27	68,950,855,375	151,359,911,456
<b>Net cash flows from investing activities</b>	<b>30</b>	<b>(904,499,815,897)</b>	<b>(762,084,135,295)</b>

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




**Masan Nutri-Science Corporation 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	2018 VND	2017 VND
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shares issued	31	-	3,364,197,925,703
Proceeds from borrowings	33	4,412,120,196,960	10,448,041,713,315
Payments to settle loan principals and bonds	34	(4,945,465,422,995)	(15,415,806,816,278)
Payments of dividends	36	(553,970,914,317)	(1,381,742,589,000)
<b>Net cash flows from financing activities</b>	<b>40</b>	<b>(1,087,316,140,352)</b>	<b>(2,985,309,766,260)</b>
<b>Net cash flows during the year (50 = 20 + 30 + 40)</b>	<b>50</b>	<b>(633,515,793,546)</b>	<b>(2,220,057,291,311)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>1,991,970,213,930</b>	<b>4,212,026,690,424</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>61</b>	<b>(29,124,408)</b>	<b>814,817</b>
<b>Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61) (Note 4)</b>	<b>70</b>	<b>1,358,425,295,976</b>	<b>1,991,970,213,930</b>

7 March 2019

Prepared by:

  
Tran Quang Be  
Chief Accountant

Approved by:

  
Nguyen Thi Minh Hang  
Chief Financial Officer

  
Pham Trung Lam  
Chief Executive Officer



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



**Masan Nutri-Science Corporation 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.

**1. Reporting entity**

**(a) Ownership structure**

Masan Nutri-Science Corporation (“the Company”) is a joint stock company incorporated in Vietnam.

As at 31 December 2018, the Company has 14 dependent branches which are Phu Tho Branch, Ha Nam Branch, Nghe An Branch, Binh Dinh Branch, Dak Lak Branch, Vinh Long Branch, Hau Giang Branch, Dong Nai Branch, Quang Nam Branch, Thai Nguyen Branch, Tien Giang Branch, Hung Yen Branch, Hai Phong Branch and Can Tho Branch (1/1/2018: 11 dependent branches).

The consolidated financial statements comprise the Company and its subsidiaries (collectively referred to as “the Group”) and the Group’s interest in associates.

**(b) Principal activities**

The principal activities of the Company are investment holding and to trade in livestock, poultry and aquaculture feeds and other products in accordance with its Business Registration Certificate.

**(c) Normal operating cycle**

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

# Masan Nutri-Science Corporation 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) Group structures

As at 31 December 2018, the Group had 2 directly owned subsidiaries, 15 indirectly owned subsidiaries and 4 indirectly owned associates (1/1/2018: 2 directly owned subsidiaries, 15 indirectly owned subsidiaries and 4 indirectly owned associates). Information of the subsidiaries and associates are described as follows:

No.	Name	Principal activity	Address	Percentage of economic interests 31/12/2018	Percentage of voting rights 1/1/2018	Percentage of voting rights 31/12/2018	Percentage of voting rights 1/1/2018
Directly owned subsidiaries							
1	Agro Nutrition International Joint Stock Company (“Anco”)	To manufacture, process livestock, poultry and aquaculture feeds; breed cattle and poultry	Lot A4, Street No. 2, Song May Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam	100.0%	100.0%	100.0%	100.0%
2	MNS Feed Company Limited (“MNS Feed”)	To manufacture, process livestock, poultry and aquaculture feeds	Lot A4, Street No. 2, Song May Industrial Zone, Trang Bom District, Dong Nai Province, Vietnam	99.9%	99.9%	99.9%	99.9%
Indirectly owned subsidiaries							
1	MNS Feed Vinh Long Company Limited (formerly known as “Aqua Nutrition International Joint Venture Co., Ltd”) (“MNS Feed Vinh Long”)	(i) To manufacture, process livestock, poultry and aquaculture feeds; process shrimp, fish and cattle-fish; manufacture, process manioc, wheat flour, corn, rice, cereals and cereals flour	Area 4, Co Chien Industrial Park, Son Dong Hamlet, Thanh Duc Commune, Long Ho District, Vinh Long Province, Vietnam	99.9%	100.0%	100.0%	100.0%

**Masan Nutri-Science Corporation 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)

No.	Name	Principal activity	Address	Percentage of economic interests		Percentage of voting rights	
				31/12/2018	1/1/2018	31/12/2018	1/1/2018
2	MNS Feed Thai Nguyen Company Limited (formerly known as “Agro Nutrition International Thai Nguyen Limited Company”) (“MNS Feed Thai Nguyen”)	(i) To manufacture, process livestock, poultry and aquaculture feeds; breed cattle and poultry	Lot B5-B6, Trung Thanh Industrial Park, Trung Thanh Commune, Pho Yen Town, Thai Nguyen Province, Vietnam	99.9%	100.0%	100.0%	100.0%
3	MNS Feed Tien Giang Company Limited (formerly known as “Agro Nutrition International Tien Giang One Member Limited Company”) (“MNS Feed Tien Giang”)	(i) To manufacture, process livestock, poultry and aquaculture feeds; breed cattle and poultry	Lot 22-23B, Long Giang Industrial Park, Tan Lap 1 Ward, Tan Phuoc District, Tien Giang Province, Vietnam	99.9%	99.9%	100.0%	100.0%
4	MNS Feed Nghe An Company Limited (formerly known as “Agro Nutrition International Nghe An Company Limited”) (“MNS Feed Nghe An”)	(i) To manufacture, process livestock, poultry and aquaculture feeds; breed cattle and poultry	Area C, Nam Can Industrial Park, South East Nghe An Industrial Zone, Nghi Xa Ward, Nghi Loc District, Nghe An Province, Vietnam	99.9%	99.9%	100.0%	100.0%

# Masan Nutri-Science Corporation 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)

No.	Name	Principal activity	Address	Percentage of	
				economic interests	Percentage of voting rights
				31/12/2018	31/12/2018
5	MNS Feed Hau Giang Company Limited (formerly known as “Agro Nutrition International Hau Giang One Member Limited Liability Company”) (“MNS Feed Hau Giang”)	(i) To manufacture, process livestock, poultry and aquaculture feeds; breed cattle and poultry	Street No. 4, Tan Phu Thanh Industrial Park – Phase 1, Tan Phu Thanh Commune, Chau Thanh A District, Hau Giang Province, Vietnam	99.9%	100.0%
6	Agro Nutrition International Binh Dinh One Member Limited Liability Company (“Anco Binh Dinh”)	(ii) To manufacture, process livestock, poultry and aquaculture feeds; breed cattle and poultry	Lot B4.06, Nhon Hoi Industrial Park (Area A), Nhon Hoi District, Quy Nhon Town, Binh Dinh Province, Vietnam	100.0%	100.0%
7	MNS Meat Company Limited (“MNS Meat”)	(ii) To manufacture livestock, poultry and aquaculture feeds	Lot A4, Street No. 2, Song May Industrial Zone, Bac Son Commune, Trang Bom District, Dong Nai Province, Vietnam	100.0%	100.0%
8	MNS Farm Nghe An Company Limited (formerly known as “Masan Nutri-Farm (N.A) Limited Liability Company”) (“MNS Farm Nghe An”)	(ii) To breed swine	Con Son Hamlet, Ha Son Commune, Quy Hop District, Nghe An Province, Vietnam	100.0%	100.0%



# Masan Nutri-Science Corporation and its subsidiaries

## Notes to the consolidated financial statements for the year ended 31 December 2018 (continued)

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No.	Name	Principal activity	Address	Percentage of economic interests		Percentage of voting rights	
				31/12/2018	1/1/2018	31/12/2018	1/1/2018
9	MNS Meat Processing Company Limited ("MNS Meat Processing")	(ii) Investment holding	10 <sup>th</sup> Floor, Central Plaza Tower, 17 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam	100.0%	100.0%	100.0%	100.0%
10	MNS Meat Ha Nam Company Limited ("MNS Meat Ha Nam")	(ii) To process and preserve meat and meat related products	Lot CN-02, Dong Van IV Industrial Zone, Dai Cuong Commune, Kim Bang District, Ha Nam Province, Vietnam	100.0%	100.0%	100.0%	100.0%
11	MNS Farm Company Limited ("MNS Farm")	(ii) Investment holding	10 <sup>th</sup> Floor, Central Plaza, 17 Le Duan Street, District 1, Ben Nghe Ward, Ho Chi Minh City, Vietnam	100.0%	100.0%	100.0%	100.0%
12	Vietnamese – French Cattle Feed Joint Stock Company ("Proconco")	(i) To produce protein enriched and refined animal feeds; provide raising and veterinary services of young bred animal	Bien Hoa I Industrial Zone, Bien Hoa City, Dong Nai Province, Vietnam	75.2%	75.2%	75.2%	75.2%
13	Proconco Can Tho One Member Company Limited ("Proconco Can Tho")	(i) To manufacture and trade animal feeds and raw material for manufacturing animal feeds	Lot 13 and Lot 14, Industrial Park Tra Noc 1, Tra Noc Ward, Binh Thuy District, Can Tho City, Vietnam	75.2%	75.2%	75.2%	75.2%
14	Conco Binh Dinh Co., Ltd. ("Proconco Binh Dinh")	(i) To manufacture and trade animal feeds and raw material for manufacturing animal feeds	Lot A-2-5 and Lot A-2-6, Nhon Hoa Industrial Park, Nhon Hoa Ward, An Nhon Town, Binh Dinh Province, Vietnam	75.2%	75.2%	75.2%	75.2%

**Masan Nutri-Science Corporation and its subsidiaries**

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No.	Name	Principal activity	Address	Percentage of economic interests		Percentage of voting rights	
				31/12/2018	1/1/2018	31/12/2018	1/1/2018
15	Proconco Hung Yen Manufacturing and Trading Company Limited ("Proconco Hung Yen")	(i) To produce animal feeds, poultry feed and aquaculture feeds; and to breed water buffalo and cows	Yen Phu Hamlet, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	75.2%	75.2%	75.2%	75.2%
<b>Indirectly owned associates</b>							
1	Thuan Phat Packing Joint Stock Company ("Thuan Phat")	(i) To manufacture PP and PE package and trade plastic materials	Tan Bien Ward, Bien Hoa City, Dong Nai Province, Vietnam	25.0%	25.0%	25.0%	25.0%
2	Abattoir Long Binh Joint Stock Company ("Abattoir")	(i) To perform abattoir and processing activities for cattle and poultry	Long Binh Ward, Bien Hoa City, Dong Nai Province, Vietnam	25.0%	25.0%	25.0%	25.0%
3	Dong Nai Producing Trading Services Joint Stock Company ("Donatraco")	(i) To plant industrial and agricultural trees	75A Ha Huy Giap Street, Quyet Thang Ward, Bien Hoa City, Dong Nai Province, Vietnam	21.3%	21.3%	21.3%	21.3%
4	Vissan Joint Stock Company ("Vissan")	(ii) To process and trade fresh meat, processed foods and meat related products	420 No Trang Long Street, Ward 13, Binh Thanh District, Ho Chi Minh City, Vietnam	24.9%	24.9%	24.9%	24.9%

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- (i) These subsidiaries and the associates are indirectly owned by the Company through MNS Feed as at 31 December 2018.
- (ii) These subsidiaries and associate are indirectly owned by the Company through Anco as at 31 December 2018.

All subsidiaries and associates are incorporated in Vietnam.

The percentage of economic interests represent the effective percentage of economic interests of the Company both directly and indirectly in the subsidiaries and of the direct and indirect economic interests in their associates.

As at 31 December 2018, the Group had 3,021 employees (1/1/2018: 3,565 employees).

## **2. Basis of preparation**

### **(a) 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.

### **(b) 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.

### **(c) Annual accounting period**

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

### **(d) Accounting and presentation currency**

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

### **(e) Corresponding figures**

The corresponding figures as at 1 January 2018 were derived from the balances and amounts reported in the Group's audited consolidated financial statements as at and for the year ended 31 December 2017.

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**3. Summary of significant accounting policies**

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

**(a) Basis of consolidation**

**(i) Subsidiaries**

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**(ii) Non-controlling interests**

Non-controlling interests 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 undistributed profits under equity.

**(iii) Associates**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. 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 investee.

**(iv) Transactions eliminated on consolidation**

Intra-group transactions, 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 investee.



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**(v) Business combination under common control**

Business combination where the same group of investors (“the Controlling Investors”) control the combining companies before and after the business combination meets the definition of business combination under common control because there is a continuation of the risks and benefits to the Controlling Investors. Such common control business combination is specifically excluded from the scope of Vietnamese Accounting Standard No. 11 – *Business Combination* and in selecting its accounting policies with respect to such transaction, the Group has considered Vietnamese Accounting Standard No. 01 – *Framework* and Vietnamese Accounting Standard No. 21 – *Presentation of Financial Statements*. Based on these standards, the Group has adopted the merger (“carry-over”) basis of accounting. The assets and liabilities of the combining companies are consolidated using the existing book values from the Controlling Investors’ perspective. Any difference between the cost of acquisition and net assets value acquired is treated as a deemed distribution to or contribution from investors and recorded in undistributed profits after tax under equity.

The consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows include the results of operations of the combining companies as if the group structure had been in existence from the Controlling Investors’ perspective throughout the entire periods presented, or where the companies were incorporated at a date later than the beginning of the earliest periods presented, for the period from the date of incorporation to the end of the relevant reporting periods.

**(vi) Business combination under non-common control**

Non-common control business combinations are accounted for using the purchase 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, the Group takes into consideration potential voting rights that currently are exercisable.

Under the purchase method, the assets and liabilities of the acquired entity are consolidated using their fair values. Cost of business combination consists of the aggregate fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control the acquiree, and transaction costs. Goodwill represents the excess of the cost of business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity. When the excess is negative, it is recognised immediately in the consolidated statement of income.

**(b) Foreign currency transactions**

Transactions in currencies other than VND during the year have been translated into VND at rates approximately 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 annual accounting period quoted by the commercial bank where the Company or its subsidiaries most frequently conduct transactions.

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

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**(c) Cash and cash equivalents**

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**(d) Investments**

***Equity investments in other entities***

Equity investments in other entities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investment 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 Board of Management of the Company or its subsidiaries before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

**(e) Accounts receivable**

Accounts receivable from customers and other receivables are stated at cost less allowance for doubtful debts.

**(f) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and direct selling expenses.

The Group applies the perpetual method of accounting for inventories.



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**(g) Tangible fixed assets**

**(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

**(ii) Depreciation**

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings and structures	4 – 20 years
▪ machinery and equipment	2 – 15 years
▪ motor vehicles	5 – 10 years
▪ office equipment	3 – 15 years

**(h) Intangible fixed assets**

**(i) Land use rights**

Land use rights comprise of:

- those granted by the State for which land use payments have been made;
- 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 right certificate issued by competent authority.

Land use rights with indefinite term are stated at cost and are not amortised. Land use rights with definite term are stated at cost less accumulated amortisation. The initial cost of land use rights comprises the 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 a period ranging from 35 to 49 years.

**(ii) Software**

Cost of acquiring a new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible fixed asset. Software cost is amortised on a straight-line basis over a period ranging from 5 to 7 years.

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**(iii) Brand name**

The fair value of brand name that is acquired by the Group on the acquisition of a subsidiary is recognised as an intangible fixed asset and amortised on a straight-line basis over their estimated useful lives of 20 years. The fair value of brand name acquired in a business combination is determined based on the discounted estimated royalty payments that have been avoided as a result of the brand name being owned.

**(iv) Customer relationships**

The fair value of customer relationships that is acquired by the Group on the acquisition of a subsidiary is capitalised and presented as an intangible fixed asset.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject assets are valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of customer relationships is amortised on a straight-line basis over their estimated useful lives of 20 years.

**(v) Technology**

Technology that is acquired by the Group on the acquisition of a subsidiary is capitalised and presented as an intangible fixed asset.

The fair value of technology acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject assets are valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of technology is amortised on a straight-line basis over their estimated useful lives of 5 years.

**(i) Construction in progress**

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

**(j) Goodwill**

Goodwill arises on the acquisition of subsidiaries and associates. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (gain from bargain purchase), it is recognised immediately in the consolidated statement of income.

Goodwill arising on acquisition of a subsidiary is amortised on a straight-line basis over 10 years. Carrying value of goodwill arising on acquisition of a subsidiary is written down to recoverable amount as management determines that it is not fully recoverable.

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



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**(k) Long-term prepaid expenses**

**(i) Prepaid land costs**

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under prevailing regulation 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 terms of the lease from 35 to 50 years.

**(ii) Tools and supplies**

Tools and supplies include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and supplies is amortised on a straight-line basis over a period ranging from over 1 year to 3 years.

**(iii) Other long-term prepaid expenses**

Other long-term prepaid expenses include the repair and maintenance prepaid expenses and swine breeder expenses which are stated at their costs and are amortised on a straight-line basis over a period ranging from 2 to 3 years.

**(l) Accounts payable**

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

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Severance allowance**

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

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**(n) Bonds issued**

***Straight bonds***

At initial recognition, straight bonds are measured at cost which comprises proceeds from issuance net of bonds issuance costs. Any discount, premium or issuance costs are amortised on a straight-line basis over the terms of the bonds.

**(o) Equity**

**(i) *Ordinary shares***

Ordinary shares are recognised at issuance price less incremental costs directly attributable to the issuance of shares, net of tax effects. Such costs are recognised as a deduction from capital surplus. The excess of proceeds contributed over the par value of shares issued is recorded as capital surplus.

**(ii) *Other capital***

Other capital is resulting from transactions involving equity instruments.

**(p) Taxation**

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

**(q) Revenue from sale of goods**

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



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**(r) Financial income and financial expenses**

**(i) Financial income**

Financial income comprises interest income from deposits and loans, and foreign exchange gains.

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

**(ii) Financial expenses**

Financial expenses comprise interest expense on borrowings and bonds, associated costs and foreign exchange losses.

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

**(s) Operating lease payments**

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

**(t) Earnings per share**

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

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

**(u) Related parties**

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

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

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**4. Cash and cash equivalents**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Cash on hand	7,612,091,465	838,947,899
Cash at banks	117,562,057,243	108,038,964,781
Cash in transit	1,740,456,268	492,301,250
Cash equivalents	1,231,510,691,000	1,882,600,000,000
Cash and cash equivalents in the consolidated statement of cash flows	1,358,425,295,976	1,991,970,213,930

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

**5. Accounts receivable**

As at 31 December 2018, included in prepayments to suppliers of the Group were VND271,420 million (1/1/2018: VND59,960 million) related to construction in progress.

Other receivables comprised of:

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
<b>Other short-term receivables</b>		
Interest receivable from deposits and loans	3,457,927,495	2,048,954,723
Dividends receivable from Dong Nai Producing Trading Services Joint Stock Company, an associate	-	721,478,400
Advances	1,972,533,803	2,967,898,138
Short-term deposits	1,164,764,551	740,405,510
Others	16,466,218,208	4,619,675,365
	23,061,444,057	11,098,412,136
<b>Other long-term receivables</b>		
Interest receivable from loans	-	73,274,909,590
Long-term deposits	3,095,726,000	257,367,000
Others	-	39,307,613
	3,095,726,000	73,571,584,203



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

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Opening balance	109,783,645,939	33,135,690,360
Increase in allowance during the year	8,586,162,188	87,223,948,215
Allowance utilised during the year	-	(10,290,954,156)
Written back	(12,234,667,778)	(285,038,480)
Closing balance	106,135,140,349	109,783,645,939

## 6. Inventories

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Cost</b> <b>VND</b>	<b>Allowance</b> <b>VND</b>	<b>Cost</b> <b>VND</b>	<b>Allowance</b> <b>VND</b>
Goods in transit	331,154,624,169	-	413,161,750,204	-
Raw materials	767,446,434,315	(5,577,461,820)	1,171,776,979,823	(3,777,764,052)
Tools and supplies	75,345,994,537	-	62,582,980,073	-
Work in process	53,060,901,344	-	788,445,660	-
Finished goods	165,082,706,824	-	203,137,243,679	-
Merchandise inventories	4,069,333,135	-	1,917,129,115	-
	1,396,159,994,324	(5,577,461,820)	1,853,364,528,554	(3,777,764,052)

Included in inventories as at 31 December 2018 was VND5,577 million (1/1/2018: VND3,778 million) of slow-moving inventories. These items related to old-label packages which are expected to be disposed as scraps next year.

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

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Opening balance	3,777,764,052	14,062,124,995
Increase in allowance during the year	4,484,994,692	107,966,090
Written back	(2,685,296,924)	(10,392,327,033)
Closing balance	5,577,461,820	3,777,764,052

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**7. Tangible fixed assets**

<b>Cost</b>	<b>Buildings and structures VND</b>	<b>Machinery and equipment VND</b>	<b>Motor vehicles VND</b>	<b>Office equipment VND</b>	<b>Total VND</b>
Opening balance	1,147,696,070,261	1,071,413,429,295	77,113,978,096	27,358,846,835	2,323,582,324,487
Additions	13,429,601,650	27,830,481,762	2,697,300,000	1,239,720,465	45,197,103,877
Transfers from construction in progress	768,172,425,808	292,963,326,577	1,782,090,694	2,323,811,527	1,065,241,654,606
Transfers to long-term prepaid expenses	(853,398,489)	-	-	-	(853,398,489)
Disposals	-	(6,216,912,005)	(10,063,639,302)	-	(16,280,551,307)
Written off	(178,447,520)	-	(745,675,000)	(288,907,852)	(1,213,030,372)
Reclassification	(1,346,813,502)	1,346,813,502	-	-	-
Closing balance	1,926,919,438,208	1,387,337,139,131	70,784,054,488	30,633,470,975	3,415,674,102,802
<b>Accumulated depreciation</b>					
Opening balance	226,000,773,237	343,128,575,889	29,039,898,862	6,069,884,174	604,239,132,162
Charge for the year	108,182,544,436	162,715,270,924	14,780,777,775	4,059,304,476	289,737,897,611
Transfers to long-term prepaid expenses	(102,566,647)	-	-	-	(102,566,647)
Disposals	-	(4,818,005,165)	(9,019,948,867)	-	(13,837,954,032)
Written off	(178,447,520)	-	(745,675,000)	(288,907,852)	(1,213,030,372)
Reclassification	(162,396,450)	162,396,450	-	-	-
Closing balance	333,739,907,056	501,188,238,098	34,055,052,770	9,840,280,798	878,823,478,722
<b>Net book value</b>					
Opening balance	921,695,297,024	728,284,853,406	48,074,079,234	21,288,962,661	1,719,343,192,325
Closing balance	1,593,179,531,152	886,148,901,033	36,729,001,718	20,793,190,177	2,536,850,624,080

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Included in tangible fixed assets were assets costing VND488,942 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND468,737 million), but which are still in active use.

As at 31 December 2018, tangible fixed assets with net book value of VND1,046,699 million (1/1/2018: Nil) were pledged with banks as security for loans granted to the Group (Note 17(b)(i)).

During the year, borrowing costs capitalised in tangible fixed assets amounting to VND11,882 million (2017: Nil).

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**8. Intangible fixed assets**

<b>Cost</b>	<b>Land use rights VND</b>	<b>Software VND</b>	<b>Brand name VND</b>	<b>Customer relationships VND</b>	<b>Technology VND</b>	<b>Total VND</b>
Opening balance	261,876,835,899	58,534,657,416	1,615,000,000,000	2,413,100,000,000	566,000,000,000	4,914,511,493,315
Transfers from construction in progress	-	219,000,000	-	-	-	219,000,000
Transfers to long-term prepaid expenses	(54,465,326,883)	-	-	-	-	(54,465,326,883)
Closing balance	207,411,509,016	58,753,657,416	1,615,000,000,000	2,413,100,000,000	566,000,000,000	4,860,265,166,432
<b>Accumulated amortisation</b>						
Opening balance	16,260,574,271	4,922,810,812	239,275,000,002	365,626,249,998	323,150,000,013	949,234,635,096
Charge for the year	6,988,837,757	8,437,574,090	80,750,000,007	120,654,999,987	113,200,000,012	330,031,411,853
Transfers to long-term prepaid expenses	(1,027,647,676)	-	-	-	-	(1,027,647,676)
Closing balance	22,221,764,352	13,360,384,902	320,025,000,009	486,281,249,985	436,350,000,025	1,278,238,399,273
<b>Net book value</b>						
Opening balance	245,616,261,628	53,611,846,604	1,375,724,999,998	2,047,473,750,002	242,849,999,987	3,965,276,858,219
Closing balance	185,189,744,664	45,393,272,514	1,294,974,999,991	1,926,818,750,015	129,649,999,975	3,582,026,767,159

Included in intangible fixed assets were assets costing VND5,533 million which were fully amortised as of 31 December 2018 (1/1/2018: VND5,533 million), but which are still in active use.



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**9. Construction in progress**

	<b>2018 VND</b>	<b>2017 VND</b>
Opening balance	600,473,709,906	312,334,484,067
Additions	955,582,088,785	694,482,717,482
Transfers to tangible fixed assets	(1,065,241,654,606)	(293,894,481,197)
Transfers to intangible fixed assets	(219,000,000)	(110,278,460,601)
Transfers to long-term prepaid expenses	(23,406,690,969)	(66,301,646)
Transfers to short-term prepaid expenses	-	(1,363,884,471)
Written off	(790,972,352)	(740,363,728)
	<hr/>	<hr/>
Closing balance	466,397,480,764	600,473,709,906

Major constructions in progress were as follows:

	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
Buildings	348,874,804,065	191,089,873,176
Plant expansion project	-	320,764,452,096
Machinery and equipment	95,084,995,186	82,348,446,859
Software	1,981,506,652	442,549,999
Others	20,456,174,861	5,828,387,776
	<hr/>	<hr/>
	466,397,480,764	600,473,709,906

As at 31 December 2018, construction in progress with carrying value of VND401,870 million (1/1/2018: VND320,764 million) were pledged with banks as security for loans granted to the Group (Note 17(b)(i)).

During the year, borrowing costs capitalised into construction in progress amounting to VND7,415 million (2017: VND3,094 million).

**10. Investments**

	<b>31/12/2018 VND</b>	<b>1/1/2018 VND</b>
<b>Long-term financial investments</b>		
▪ Investments in associates (a)	2,160,836,610,779	2,161,836,849,125
▪ Equity investments in other entities (b)	21,646,000,000	21,646,000,000
▪ Allowance for diminution in the value of long-term financial investments (b)	(8,441,940,000)	(4,918,280,000)
	<hr/>	<hr/>
	2,174,040,670,779	2,178,564,569,125

**Masan Nutri-Science Corporation and its subsidiaries**

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**(a) Investments in associates**

	31/12/2018				1/1/2018			
	No. of shares	% of economic interests	% of voting rights	Carrying value under equity method VND	No. of shares	% of economic interests	% of voting rights	Carrying value under equity method VND
Vissan	20,180,026	24.9%	24.9%	2,135,490,172,000	20,180,026	24.9%	24.9%	2,135,490,172,000
Thuan Phat	490,000	25.0%	25.0%	7,892,717,573	490,000	25.0%	25.0%	9,719,624,261
Abattoir	500,000	25.0%	25.0%	6,752,136,597	500,000	25.0%	25.0%	7,252,011,560
Donatraco	850,800	21.3%	21.3%	10,701,584,609	850,800	21.3%	21.3%	9,375,041,304
				<u>2,160,836,610,779</u>				<u>2,161,836,849,125</u>

The Group has not determined the fair value of the equity investments in associates for disclosure in the consolidated financial statements because information about their market prices are not available and there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these equity investments may differ from their carrying amounts.

**Masan Nutri-Science Corporation and its subsidiaries**

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

	Vissan VND	Thuan Phat VND	Abattoir VND	Donatraco VND	Total VND
Opening balance	2,135,490,172,000	9,719,624,261	7,252,011,560	9,375,041,304	2,161,836,849,125
Share of post-acquisition profit/(loss) of associates	14,126,018,200	(1,826,906,688)	100,125,037	1,597,097,705	13,996,334,254
Dividends income	(14,126,018,200)	-	(600,000,000)	(270,554,400)	(14,996,572,600)
Closing balance	2,135,490,172,000	7,892,717,573	6,752,136,597	10,701,584,609	2,160,836,610,779

**(b) Equity investments in other entities**

	31/12/2018			1/1/2018		
	No. of shares	% of economic interests	% of voting rights	Allowance for diminution in value VND	No. of shares	% of economic interests
				Carrying amount VND		% of voting rights
					Carrying amount VND	Allowance for diminution in value VND
PTSC Dinh Vu Port Company	2,164,600	5.41%	5.41%	21,646,000,000 (8,441,940,000)	2,164,600	5.41%
					21,646,000,000	(4,918,280,000)

The Group has not determined the fair value of the equity investments in other entities for disclosure in the consolidated financial statements because information about its market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these equity investments may differ from their carrying amounts.



**Masan Nutri-Science Corporation and its subsidiaries**  
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Movements of the allowance for diminution in value of long-term financial investments during the year were as follows:

	<b>2018 VND</b>	<b>2017 VND</b>
Opening balance	4,918,280,000	-
Increase in allowance during the year	3,545,306,000	4,918,280,000
Written back	(21,646,000)	-
Closing balance	8,441,940,000	4,918,280,000

## **11. Long-term prepaid expenses**

	<b>Prepaid land costs VND</b>	<b>Tools and supplies VND</b>	<b>Others VND</b>	<b>Total VND</b>
Opening balance	264,954,491,544	34,751,735,378	14,582,489,929	314,288,716,851
Additions	103,055,060	8,276,733,005	77,131,060,159	85,510,848,224
Transfers from construction in progress	-	4,327,593,889	19,079,097,080	23,406,690,969
Transfers from tangible fixed assets	-	-	750,831,842	750,831,842
Transfers from intangible fixed assets	53,437,679,207	-	-	53,437,679,207
Transfers from short-term prepaid expenses	-	34,600,000	-	34,600,000
Reclassification	23,223,752	1,015,077,312	(1,038,301,064)	-
Written off	-	(18,105,000)	-	(18,105,000)
Amortisation for the year	(5,783,159,078)	(30,814,750,454)	(20,824,453,343)	(57,422,362,875)
Closing balance	312,735,290,485	17,572,884,130	89,680,724,603	419,988,899,218

As at 31 December 2018, prepaid land costs with carrying value of VND88,754 million (1/1/2018: VND16,812 million) and tools and supplies with carrying value of VND1,375 million (1/1/2018: Nil) were pledged with bank as security for loans granted to the Group (Note 17(b)(i)).

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## 12. Deferred tax assets and liabilities

### (a) Recognised deferred tax assets and liabilities

	31/12/2018 VND	1/1/2018 VND
Deferred tax assets:		
Unrealised profits	2,752,073,235	94,566,406
Allowance for doubtful debts	14,811,555,588	14,961,488,602
Allowance for inventories	614,237,566	421,630,752
Accrued expenses	29,675,239,252	105,779,127,070
Tax losses	38,379,959,645	8,298,229,453
Others	1,610,509,562	1,309,949,022
Total deferred tax assets	87,843,574,848	130,864,991,305
Deferred tax liabilities:		
Tangible fixed assets	(18,419,009,597)	(25,048,349,322)
Intangible fixed assets	(522,984,419,636)	(570,839,296,627)
Total deferred tax liabilities	(541,403,429,233)	(595,887,645,949)

### (b) Movements of temporary differences during the year

	1/1/2018 VND	Recognised in consolidated statement of income VND	31/12/2018 VND
Unrealised profits	94,566,406	2,657,506,829	2,752,073,235
Allowance for doubtful debts	14,961,488,602	(149,933,014)	14,811,555,588
Allowance for inventories	421,630,752	192,606,814	614,237,566
Accrued expenses	105,779,127,070	(76,103,887,818)	29,675,239,252
Tax losses	8,298,229,453	30,081,730,192	38,379,959,645
Others	1,309,949,022	300,560,540	1,610,509,562
Tangible fixed assets	(25,048,349,322)	6,629,339,725	(18,419,009,597)
Intangible fixed assets	(570,839,296,627)	47,854,876,991	(522,984,419,636)
	(465,022,654,644)	11,462,800,259	(453,559,854,385)

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**13. Accounts payable to suppliers – short-term**

**(a) Accounts payable to suppliers detailed by significant suppliers**

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Cost VND</b>	<b>Amount within payment capacity VND</b>	<b>Cost VND</b>	<b>Amount within payment capacity VND</b>
Pro-active Synergy Sdn. Bhd	141,743,404,645	141,743,404,645	78,218,728,326	78,218,728,326
Other suppliers	1,018,956,490,051	1,018,956,490,051	776,988,615,593	776,988,615,593
	<hr/>	<hr/>	<hr/>	<hr/>
	1,160,699,894,696	1,160,699,894,696	855,207,343,919	855,207,343,919

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

	<b>31/12/2018</b>		<b>1/1/2018</b>	
	<b>Cost VND</b>	<b>Amount within payment capacity VND</b>	<b>Cost VND</b>	<b>Amount within payment capacity VND</b>
<b>Associates</b>				
Thuan Phat	3,621,631,090	3,621,631,090	4,263,875,426	4,263,875,426
Abattoir	581,681,400	581,681,400	675,158,480	675,158,480
<b>Other related parties</b>				
Masan Consumer Corporation	22,518,145,113	22,518,145,113	42,774,471,866	42,774,471,866
Quang Ninh Mineral Water Corporation	-	-	5,495,600	5,495,600
	<hr/>	<hr/>	<hr/>	<hr/>
	26,721,457,603	26,721,457,603	47,719,001,372	47,719,001,372

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



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**14. Taxes payable to State Treasury**

	<b>1/1/2018 VND</b>	<b>Incurred VND</b>	<b>Paid VND</b>	<b>Net-off/ Reclassified VND</b>	<b>31/12/2018 VND</b>
Value added tax	356,844,455	4,346,773,154	(3,927,333,586)	(469,824,352)	306,459,671
Import-export tax	-	92,050,308,115	(91,427,155,411)	-	623,152,704
Corporate income tax	34,525,347,631	115,197,819,341	(103,401,857,119)	(371,928,342)	45,949,381,511
Personal income tax	13,821,341,765	63,420,699,602	(59,385,022,267)	(3,207,659,716)	14,649,359,384
Other taxes	2,431,390,885	4,171,503,203	(6,322,894,088)	-	280,000,000
	<b>51,134,924,736</b>	<b>279,187,103,415</b>	<b>(264,464,262,471)</b>	<b>(4,049,412,410)</b>	<b>61,808,353,270</b>

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**15. Accrued expenses**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Sales discounts	303,723,816,658	405,214,976,499
Advertising and promotion expenses	50,147,562,569	223,611,632,244
Bonus and 13 <sup>th</sup> month salary	98,796,714,541	113,811,475,316
Interest expense	60,233,310,658	60,265,896,442
Transportation expense	3,397,819,821	5,083,503,633
Accrual for construction work	70,027,082,754	-
Others	27,414,513,931	36,226,905,984
	<hr/> 613,740,820,932	<hr/> 844,214,390,118 <hr/>

**16. Other short-term payables**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Dividends payable	23,598,036,228	3,498,328,000
Trade union fee, social and health insurances	1,471,016,755	569,963,544
Short-term deposits received	552,722,051	209,608,027
Others	7,446,835,275	7,773,879,888
	<hr/> 33,068,610,309	<hr/> 12,051,779,459 <hr/>

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**17. Borrowings and bonds**

**(a) Short-term borrowings**

	1/1/2018		Movements during the year		31/12/2018	
	Carrying amount VND	Amount within repayment capacity VND	Addition VND	Repayment VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	1,495,029,967,387	1,495,029,967,387	3,789,635,162,894	(4,897,465,422,995)	387,199,707,286	387,199,707,286
Current portion of long-term borrowings	33,565,582,267	33,565,582,267	82,434,417,733	(48,000,000,000)	68,000,000,000	68,000,000,000
	1,528,595,549,654	1,528,595,549,654	3,872,069,580,627	(4,945,465,422,995)	455,199,707,286	455,199,707,286

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

	Currency	Annual interest rate	31/12/2018 VND	1/1/2018 VND
Unsecured bank loans	VND	5.1% - 5.8%	387,199,707,286	1,408,689,523,428
Unsecured bank loans	USD	2.4%	-	86,340,443,959
			387,199,707,286	1,495,029,967,387



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**(b) Long-term borrowings and bonds**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Long-term borrowings (i)	747,108,028,581	172,622,994,515
Straight bonds (ii)	1,979,486,274,504	1,975,974,509,799
	<hr/> 2,726,594,303,085	<hr/> 2,148,597,504,314
Repayable within 12 months	(68,000,000,000)	(33,565,582,267)
	<hr/> 2,658,594,303,085	<hr/> 2,115,031,922,047
Repayable after 12 months		

**(i) Long-term borrowings**

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

		<b>Annual</b>	<b>Year of</b>	<b>31/12/2018</b>	<b>1/1/2018</b>
	<b>Currency</b>	<b>interest rate</b>	<b>maturity</b>	<b>VND</b>	<b>VND</b>
Secured bank loan 1	VND	7.7%	2023	399,530,353,576	-
Secured bank loan 2	VND	8.8%	2024	204,617,159,297	-
Secured bank loan 3	VND	8.4%	2021	142,960,515,708	172,622,994,515
				<hr/> 747,108,028,581	<hr/> 172,622,994,515

The bank loan 1 is secured by tangible fixed assets with net book value of VND673,888 million (1/1/2018: Nil) (Note 7) and belonging assets formed in the future with carrying value of VND9,666 million (1/1/2018: Nil) (Note 9) as of 31 December 2018.

The bank loan 2 is secured by tangible fixed assets with net book value of VND6,544 million (1/1/2018: Nil) (Note 7); prepaid land costs with carrying value of VND72,041 million (1/1/2018: Nil) (Note 11) and its belonging assets formed in the future with carrying value of VND363,394 million (1/1/2018: Nil) (Note 9) and tools and supplies with carrying value of VND1,375 million (1/1/2018: Nil) (Note 11) as of 31 December 2018.

The bank loan 3 is secured by tangible fixed assets with net book value of VND366,267 million (1/1/2018: Nil) (Note 7); prepaid land costs with carrying value of VND16,713 million (1/1/2018: VND16,812 million) (Note 11) and its belonging assets formed in the future with carrying value of VND28,810 million (1/1/2018: VND320,764 million) (Note 9) as of 31 December 2018.

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**(ii) Straight bonds**

The carrying amount of the bonds comprised of:

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Straight bonds	2,000,000,000,000	2,000,000,000,000
Unamortised bond issuance costs	(20,513,725,496)	(24,025,490,201)
	<hr/> 1,979,486,274,504	<hr/> 1,975,974,509,799

The secured bonds of the Group as at 31 December 2018 comprised the followings:

- The bonds amounting to VND1,300 billion (1/1/2018: VND1,300 billion) excluded issuance costs have a maturity period of 5 years and bear an interest rate of 7.0% per annum in the first year and 1.5% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining years. The bonds were secured over 4.1 million shares (1/1/2018: 3.5 million shares) of Anco; and
- The bonds amounting to VND700 billion (1/1/2018: VND700 billion) excluded issuance costs have a maturity period of 5 years and bear an interest rate of 8.0% per annum in the first year and 3.0% per annum plus the amalgamated average 12 months deposit rates of selected major banks in the remaining years. The bonds were secured over 14.4 million shares (1/1/2018: 12.7 million shares) of Proconco.

Movements of bonds issuance costs during the year were as follows:

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Opening balance	24,025,490,201	70,141,666,668
Additions	16,900,000,000	22,900,000,000
Amortisation during the year	(20,411,764,705)	(69,016,176,467)
	<hr/> 20,513,725,496	<hr/> 24,025,490,201

As at 31 December 2018, the related parties of the Group held VND138,237 million of the issued bonds.

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**18. Bonus and welfare funds**

This fund is established by appropriating from undistributed profits as approved by the Board of Directors of the Company or its subsidiaries. This fund is used to pay bonus and welfare to the employees of the Company or its subsidiaries in accordance with the Group's bonus and welfare policies.

There were no movements of bonus and welfare funds during the year.

**19. Long-term provisions**

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Provision for severance allowance	31,913,944,816	36,097,545,099

Movements of provisions during the year were as follows:

	<b>Severance allowance VND</b>
Opening balance	36,097,545,099
Increase in provision during the year	4,132,259,803
Utilisation of provision during the year	(6,904,254,916)
Written back	(1,411,605,170)
Closing balance	31,913,944,816



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**20. Changes in owners' equity**

	Share capital VND	Capital surplus VND	Other capital VND	Undistributed profits after tax VND	Non-controlling interests ("NCI") VND	Total VND
<b>Balance as at 1 January 2017</b>	2,000,010,000,000	-	(175,543,000,000)	870,464,655,231	1,720,049,298,361	4,414,980,953,592
Share capital issued	162,162,970,000	3,200,196,495,149	-	-	-	3,362,359,465,149
Net profit for the year	-	-	-	629,043,627,720	167,912,126,863	796,955,754,583
Dividends declared by subsidiaries	-	-	-	-	(31,463,574,400)	(31,463,574,400)
Capital contribution by NCI in a subsidiary	-	-	-	-	10,000,000	10,000,000
Effect of merger	10,020,000	-	-	(15,126,033)	5,106,033	-
<b>Balance as at 1 January 2018</b>	2,162,182,990,000	3,200,196,495,149	(175,543,000,000)	1,499,493,156,918	1,856,512,956,857	8,542,842,598,924
Net profit for the year	-	-	-	95,569,793,947	136,588,481,197	232,158,275,144
Dividends (Note 23)	-	-	-	(1,570,391,216,456)	-	(1,570,391,216,456)
Dividends declared by subsidiaries	-	-	-	-	(23,598,036,228)	(23,598,036,228)
<b>Balance as at 31 December 2018</b>	2,162,182,990,000	3,200,196,495,149	(175,543,000,000)	24,671,734,409	1,969,503,401,826	7,181,011,621,384

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## **21. Share capital**

The Company's authorised and issued share capital are as follows:

	<b>31/12/2018 and 1/1/2018</b>	
	<b>Number of shares</b>	<b>VND</b>
<b>Authorised share capital</b>	216,218,299	2,162,182,990,000
<b>Issued share capital</b>		
Ordinary shares	216,218,299	2,162,182,990,000

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 dividends 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.

Movement of share capital during the year were as follows:

	<b>2018</b>		<b>2017</b>	
	<b>Number of shares</b>	<b>VND</b>	<b>Number of shares</b>	<b>VND</b>
Balance at the beginning of the year	216,218,299	2,162,182,990,000	200,001,000	2,000,010,000,000
Insurance of new shares at par for cash	-	-	16,216,297	162,162,970,000
Increase through merger	-	-	1,002	10,020,000
Balance at the end of the year	216,218,299	2,162,182,990,000	216,218,299	2,162,182,990,000

## **22. Other capital**

In 2016, Anco, a subsidiary of the Company, granted a call option to an investor to buy 5% of Anco's equity interest on a fully diluted basis at par value, which can be exercised within 10 years from January 2016. In February 2016, this option was acquired by the Company as part of the Company's overall restructuring and efforts to increase its equity interest in its subsidiaries, particularly Anco and Proconco. The Company recorded this equity transaction in other capital.

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## 23. Dividends

The General Meeting of Shareholders of the Company on 26 February 2018 resolved to distribute dividends amounting to VND2,271,157 million. On 26 March 2018, the Company received the decision from the parent company to waive the dividends amounting to VND700,766 million. Therefore, the declared dividends reduced to VND1,570,391 million.

## 24. Off balance sheet items

### (a) Lease commitments

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

	31/12/2018 VND	1/1/2018 VND
Within 1 year	12,827,117,398	17,836,190,406
Within 2 to 5 years	48,377,270,019	44,924,293,394
More than 5 years	170,386,384,251	227,409,455,672
	231,590,771,668	290,169,939,472

### (b) Foreign currencies

	31/12/2018		1/1/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	701,635	16,295,938,829	35,831	797,320,904
EUR	314	5,280,715	334	8,943,619
SGD	334	8,943,619	314	5,280,715
		16,310,163,163		811,545,238



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**(c) Capital expenditure commitments**

As at the reporting date, the Group had the following outstanding capital commitments approved but not provided for in the consolidated balance sheet:

	<b>31/12/2018</b> <b>VND</b>	<b>1/1/2018</b> <b>VND</b>
Approved but not contracted	506,777,083,663	1,755,132,629,834
Approved and contracted	1,194,787,515,085	330,964,998,505
	<hr/> 1,701,564,598,748	<hr/> 2,086,097,628,339 <hr/>

**25. Revenue from sale of goods**

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

Net revenue comprised of:

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Total revenue		
▪ Finished goods sold and others	14,832,735,010,031	19,668,777,852,594
	<hr/>	<hr/>
Less revenue deductions		
▪ Sales discounts	852,920,594,568	963,228,154,566
▪ Sales returns	2,960,351,816	15,064,875,137
	<hr/> 855,880,946,384	<hr/> 978,293,029,703 <hr/>
Net revenue	<hr/> 13,976,854,063,647	<hr/> 18,690,484,822,891 <hr/>

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**26. Cost of sales**

	<b>2018 VND</b>	<b>2017 VND</b>
Total cost of sales		
▪ Finished goods sold and others	11,878,104,113,500	14,709,547,345,596
▪ Allowance for inventories	1,799,697,768	(10,284,360,943)
	<u>11,879,903,811,268</u>	<u>14,699,262,984,653</u>

**27. Financial income**

	<b>2018 VND</b>	<b>2017 VND</b>
Interest income from		
▪ Deposits at banks	51,534,527,832	65,103,818,434
▪ Loans to a related party	9,678,054,795	68,651,041,097
▪ Other loan investing activities	3,072,915,069	38,316,858,903
Realised foreign exchange gains	2,389,901,156	11,827,290,967
Unrealised foreign exchange gains	263,615,638	2,071,489,943
Others	1,005,576,239	5,227,928,505
	<u>67,944,590,729</u>	<u>191,198,427,849</u>

**28. Financial expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Interest expense on loans from:		
▪ Bondholders	176,264,068,189	305,813,819,440
▪ Banks	59,179,998,788	116,554,796,134
Bond issuance costs	20,411,764,705	69,016,176,467
Realised foreign exchange losses	3,937,009,475	5,848,947,583
Unrealised foreign exchange losses	2,526,276,264	78,255,679
Allowance for diminution in the value of long-term financial investments	3,523,660,000	4,918,280,000
Others	44,351,844,628	6,377,451,464
	<u>310,194,622,049</u>	<u>508,607,726,767</u>

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**29. Selling expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Advertising and promotion expenses	176,584,998,573	1,132,404,225,134
Staff costs	312,892,311,320	380,214,401,986
Transportation expense	92,807,617,110	136,951,335,942
Tools and supplies	11,290,966,117	13,572,331,396
Depreciation and amortisation	13,313,101,194	13,208,566,209
Operating leasing expense	15,081,592,069	17,671,680,060
Others	152,769,785,840	222,341,136,918
	<hr/> 774,740,372,223	<hr/> 1,916,363,677,645 <hr/>

**30. General and administration expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Amortisation of fair value uplift of fixed assets arising in business combination	363,228,111,432	363,228,111,432
Staff costs	221,527,692,105	160,353,517,302
Operating leasing expense	14,218,759,395	20,444,772,029
Depreciation and amortisation	37,735,898,028	31,884,920,223
Office supplies	10,051,479,030	14,097,432,416
Allowance for doubtful debts	(3,648,505,590)	86,938,909,735
Others	124,606,123,678	127,947,808,291
	<hr/> 767,719,558,078	<hr/> 804,895,471,428 <hr/>

**31. Other income**

	<b>2018 VND</b>	<b>2017 VND</b>
Gains from disposals of tangible fixed assets	4,021,285,588	3,896,113,676
Others	7,890,638,520	9,477,279,634
	<hr/> 11,911,924,108	<hr/> 13,373,393,310 <hr/>



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**32. Other expenses**

	<b>2018 VND</b>	<b>2017 VND</b>
Losses from disposals of tangible fixed assets	1,116,634,604	2,466,239,040
Net book value of written-off fixed assets and construction in progress	-	740,363,728
Others	1,138,620,290	8,435,048,194
	<hr/> 2,255,254,894	<hr/> 11,641,650,962 <hr/>

**33. Income tax**

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

	<b>2018 VND</b>	<b>2017 VND</b>
<b>Current tax expense</b>		
Current year	114,094,872,195	182,013,392,522
Under provision in prior years	1,102,947,146	1,833,095,095
	<hr/> 115,197,819,341	<hr/> 183,846,487,617 <hr/>
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	(11,462,800,259)	(24,620,765,654)
	<hr/> 103,735,019,082	<hr/> 159,225,721,963 <hr/>

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

	<b>2018 VND</b>	<b>2017 VND</b>
Accounting profit before tax	335,893,294,226	956,181,476,546
Tax at the Company's tax rate	67,178,658,845	191,236,295,309
Effects of different tax rates applied to subsidiaries	(21,675,345,774)	(103,179,506,602)
Non-deductible expenses	12,160,501,592	53,945,440,102
Tax losses utilised	(2,398,421,747)	-
Under provision in prior years	1,102,947,146	1,833,095,095
Effect of share of profit from associates	(2,799,266,851)	(379,268,790)
Unrecognised deferred tax assets	50,165,945,871	15,769,666,849
	103,735,019,082	159,225,721,963

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

**(c) Applicable tax rates**

Under the prevailing corporate income tax law, the Company has an obligation to pay corporate income tax to the government at corporate income tax rate of 20%.

The Company's subsidiaries enjoy various tax incentives which provide some subsidiaries with further tax exemptions and reductions.

**(d) Tax contingencies**

The taxation laws and their application in Vietnam are subject to interpretation and change over time as well as from one tax office to another. The final tax position may be subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Vietnam that are substantially more significant than in other countries. The Board of Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation, including on transfer pricing requirements and computation of corporate income tax. However, the relevant authorities may have different interpretations and the effects could be significant.

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### **34. Earnings per share**

#### **(a) Basic earnings per share**

The calculation of basic 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 funds for the annual accounting period, of VN95,570 million (2017: VND629,044 million) and a weighted average number of ordinary shares outstanding of 216,218,299 shares during the year (2017: 211,286,101 shares), calculated as follows:

#### **(i) Net profit attributable to ordinary shareholders**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Net profit attributable to ordinary shareholders	95,569,793,947	629,043,627,720

#### **(ii) Weighted average number of ordinary shares**

	<b>2018</b>	<b>2017</b>
Issued ordinary shares at the beginning of the year	216,218,299	200,001,000
Effect of shares issued during the year	-	11,285,101
Weighted average number of ordinary shares	216,218,299	211,286,101

#### **(b) Diluted earnings per share**

The Group did not have dilutive potential ordinary shares as at 31 December 2018. Therefore, the presentation of diluted earnings per share is not applicable.



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**35. 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:

	<b>Transaction value</b>	
	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
<b>Parent company</b>		
<b>Masan Group Corporation</b>		
Loans provided	-	910,000,000,000
Loans collected	-	369,000,000,000
Interest income	9,678,054,795	68,651,041,097
Dividends declared	1,135,573,000,000	-
Net-off loans receivable with dividends payable	937,000,000,000	-
Net-off interest receivable with dividends payable	82,918,630,139	-
<b>Associates</b>		
<b>Abattoir Long Binh Joint Stock Company</b>		
Processing fee	5,268,153,548	7,575,772,164
Dividends income	600,000,000	500,000,000
<b>Thuan Phat Packing Joint Stock Company</b>		
Purchases of goods	28,472,704,405	74,102,759,608
<b>Dong Nai Producing Trading Services Joint Stock Company</b>		
Dividends income	270,554,400	1,380,848,400
<b>Vissan Joint Stock Company</b>		
Dividends income	14,126,018,200	-
<b>Other related parties</b>		
<b>Masan Consumer Corporation</b>		
Information and technology expense (included VAT)	33,308,873,420	45,702,370,260
Project management fee (included VAT)	9,022,467,688	-
Purchases of goods (included VAT)	228,445,873	262,955,428
<b>Masan Brewery Distribution Company Limited</b>		
Purchases of goods (included VAT)	-	795,983,386
<b>Masan MB One Member Company Limited</b>		
Purchases of goods (included VAT)	142,816,666	-

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	<b>Transaction value</b>	
	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
<b>Vinacafé Bien Hoa Joint Stock Company</b>		
Purchases of goods (included VAT)	7,920,000	-
<b>Key management personnel</b>		
Remuneration to key management personnel	52,001,128,498	51,094,212,984

As at and for the year ended 31 December 2018, the Company and its subsidiaries have current and term deposit accounts at and overdraft transactions with Vietnam Technological and Commercial Joint Stock Bank at normal trading terms.

**36. Non-cash investing and financing activities**

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Cost of construction in progress acquired through occurrence of liabilities	217,565,813,253	82,704,963,053
Share issuance costs incurred through occurrence of liabilities	-	1,828,460,554
Capitalisation of depreciation expense in construction in progress	1,389,325,625	438,077,613
Net-off loans receivable and interest receivable with dividends payable	1,019,918,630,139	-

7 March 2019

Prepared by:

Tran Quang Be  
Chief Accountant

Approved by:

Nguyen Thi Minh Hang  
Chief Financial Officer



Phạm Trung Lam  
Chief Executive Officer