

HA LONG CANNED FOOD JOINT STOCK CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018



**HA LONG CANNED FOOD JOINT STOCK CORPORATION**

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# HA LONG CANNED FOOD JOINT STOCK CORPORATION

## CORPORATE INFORMATION

### Business Registration Certificate

No. 0200344752 was initially issued by Hai Phong Department of Planning and Investment on 5 March 1999. The latest amendment to the Business Registration Certificate was issued on 11 July 2018.

*As at the date of the consolidated financial statements*

<b>Board of Members</b>	Mr. Bui Quoc Hung	Chairman (appointed on 4 July 2018)
	Mr. Kek Chin Ann	Vice Chairman (resigned as Chairman on 4 July 2018 and appointed as Vice Chairman on 4 July 2018)
	Mr. Mai Xuan Phong	Vice Chairman
	Mr. Nguyen Van Binh	Member
	Mr. Wilson Cheah Hui Pin	Member (appointed on 4 December 2018)
	Mr. Tra Hoang Lam	Member (appointed on 4 December 2018)
	Mr. Thai Ba Nam	Member (resigned on 4 December 2018)
<b>Board of Supervision</b>	Mr. Dang Quoc Viet	Chief Supervisor
	Mr. Tran Phuoc Thai	Member
	Mr. Ngo Van Duy Nhat	Member
<b>Board of Directors</b>	Mr. Kek Chin Ann	General Director (appointed on 4 July 2018)
	Mr. Oliveira Michael Leonard	General Director (resigned on 4 July 2018)
	Mr. Nguyen Van Binh	Deputy General Director (resigned on 20 April 2018)
	Ms. Pham Thi Thu Nga	Deputy General Director
	Mr. Chua Seng Beng	Deputy General Director
<b>Legal Representative</b>	Mr. Bui Quoc Hung	Chairman (appointed on 4 July 2018)
	Mr. Kek Chin Ann	Vice Chairman (resigned on 4 July 2018)
<b>Registered Office</b>	71 Le Lai, May Chai Ward, Ngo Quyen District, Hai Phong City, Vietnam	
<b>Auditor</b>	PwC (Vietnam) Limited	

## HA LONG CANNED FOOD JOINT STOCK CORPORATION

### STATEMENT OF THE RESPONSIBILITY OF GENERAL DIRECTOR OF THE COMPANY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Legal Representative of the Company authorised the General Director to sign and be responsible for the consolidated financial statements of Ha Long Canned Food Joint Stock Corporation ("the Company") and its subsidiaries (together, "the Group") pursuant to the Authorisation Letter No. 09/2018/UQ-DHHL dated 10 July 2018.

The General Director of Ha Long Canned Food Joint Stock Corporation ("the Company") is responsible for preparing consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and the results of its operations and cash flows for the year then ended. In preparing these consolidated financial statements, the General Director 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 General Director is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the consolidated financial statements. The General Director 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

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 37 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of the results of its operations and cash flows for the year ended, in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.



  
Kek Chin Ann  
General Director  
Authorised signatory

Hai Phong, SR Vietnam  
22 March 2019



## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HA LONG CANNED FOOD JOINT STOCK CORPORATION**

We have audited the accompanying consolidated financial statements of Ha Long Canned Food Joint Stock Corporation ("the Company") which were prepared on 31 December 2018 and approved by the General Director of the Company on 22 March 2019. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement and the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 37.

### **General Director's Responsibility**

The General Director of the Company, authorised by the Legal Representative, is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of the consolidated financial statements and for such internal control which the General Director determines necessary to enable the preparation and fair presentation of the 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 the 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 standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the Company's consolidated financial statements are free from 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 judgment, including an 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 true 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 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.

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## Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2018, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.16 in the consolidated financial statements which indicates that as at 31 December 2018, the Company did not recognise provision for severance allowance for employees of approximate VND 7,174,375 thousand because of the adoption of Circular 180/2012/TT-BTC issued by Ministry of Finance on 24 October 2012. The adoption of this Circular causes a difference with Vietnamese Accounting Standard No.18 "*Provisions, contingent assets and liabilities*".

## Other matters

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of PwC (Vietnam) Limited



\_\_\_\_\_  
Nguyen Phi Lan  
Audit Practising Licence No.0573-2018-006-1  
Authorised signatory

\_\_\_\_\_  
Nguyen Cam Ly  
Audit Practising Licence No.3067-2019-006-1

Report reference number: HAN 2154  
Hanoi, 22 March 2019



## CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>179,641,598,155</b>	<b>155,842,898,402</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>8,109,171,957</b>	<b>48,332,558,940</b>
111	Cash		8,109,171,957	22,756,410,560
112	Cash equivalents		-	25,576,148,380
<b>120</b>	<b>Short-term investments</b>		-	<b>5,386,199,800</b>
121	Trading securities	4	-	5,648,780,000
122	Provision for diminution in value of trading securities		-	(262,580,200)
<b>130</b>	<b>Short-term receivables</b>		<b>16,652,010,641</b>	<b>16,023,594,394</b>
131	Short-term trade accounts receivable	5	15,242,009,571	13,534,265,515
132	Short-term prepayments to suppliers		2,257,640,500	2,436,849,848
136	Other short-term receivables	6	7,019,322,426	7,512,069,027
137	Provision for doubtful debts - short term	7	(8,156,026,323)	(7,495,484,843)
139	Shortage of assets awaiting resolution		289,064,467	35,894,847
<b>140</b>	<b>Inventories</b>	8	<b>153,176,511,196</b>	<b>84,076,341,798</b>
141	Inventories		159,623,033,496	89,594,577,501
149	Provision for decline in value of inventories		(6,446,522,300)	(5,518,235,703)
<b>150</b>	<b>Other current assets</b>		<b>1,703,904,361</b>	<b>2,024,203,470</b>
151	Short-term prepaid expenses	9(a)	1,209,086,288	871,790,632
152	Value Added Tax to be reclaimed		18,529,490	1,152,412,838
153	Tax and other receivables from the State Budget	13(a)	476,288,583	-
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>62,658,299,345</b>	<b>64,279,613,461</b>
<b>210</b>	<b>Long-term receivables</b>		<b>596,571,565</b>	<b>380,511,000</b>
216	Other long-term receivables		596,571,565	380,511,000
<b>220</b>	<b>Fixed assets</b>		<b>54,979,797,604</b>	<b>56,121,261,682</b>
221	Tangible fixed assets	10(a)	41,836,268,728	43,589,089,480
222	Historical cost		127,769,811,639	134,124,677,380
223	Accumulated depreciation		(85,933,542,911)	(90,535,587,900)
227	Intangible fixed assets	10(b)	13,143,528,876	12,532,172,202
228	Historical cost		13,280,772,202	12,532,172,202
229	Accumulated amortisation		(137,243,326)	-
<b>240</b>	<b>Long-term assets in progress</b>		-	<b>630,272,590</b>
242	Construction in progress	11	-	630,272,590
<b>260</b>	<b>Other long-term assets</b>		<b>7,081,930,176</b>	<b>7,147,568,189</b>
261	Long-term prepaid expenses	9(b)	7,081,930,176	7,147,568,189
<b>270</b>	<b>TOTAL ASSETS</b>		<b>242,299,897,500</b>	<b>220,122,511,863</b>

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**  
 (Continued)

Code	RESOURCES	Note	As at 31 December	
			2018 VND	2017 VND (As restated - Note 36)
<b>300</b>	<b>LIABILITIES</b>		<b>134,384,594,979</b>	<b>104,785,750,237</b>
<b>310</b>	<b>Short-term liabilities</b>		<b>127,918,818,561</b>	<b>98,429,933,884</b>
311	Short-term trade accounts payable	12	41,856,383,746	36,804,778,696
312	Short-term advances from customers		4,500,935,480	3,540,734,623
313	Tax and other payables to the State Budget	13(b)	8,238,436,115	7,668,286,784
314	Payable to employees		3,168,552,135	1,557,306,379
315	Short-term accrued expenses	14	6,282,489,469	4,614,442,450
319	Other short-term payables	15	2,998,936,531	3,139,927,587
320	Short-term borrowings and finance lease liabilities	16	57,958,660,520	38,126,595,000
322	Bonus and welfare funds	17	2,914,424,565	2,977,862,365
<b>330</b>	<b>Long-term liabilities</b>		<b>6,465,776,418</b>	<b>6,355,816,353</b>
337	Other long-term payables		282,500,163	282,500,163
342	Provision for long-term liabilities	18	6,183,276,255	6,073,316,190
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>107,915,302,521</b>	<b>115,336,761,626</b>
<b>410</b>	<b>Capital and reserves</b>		<b>107,915,302,521</b>	<b>115,336,761,626</b>
411	Owners' capital	19,20	50,000,000,000	50,000,000,000
411a	- Ordinary shares with voting rights		50,000,000,000	50,000,000,000
412	Share premium	20	15,753,387,350	15,753,387,350
418	Investment and development funds	20	29,020,260,148	29,020,260,148
421	Undistributed earnings	20	13,141,655,023	20,563,114,128
421a	- Undistributed post-tax profits of previous years		15,563,114,128	15,452,945,238
421b	- Post-tax (loss)/profit of current year		(2,421,459,105)	5,110,168,890
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>242,299,897,500</b>	<b>220,122,511,863</b>

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Vu Thi Huong Quynh  
Preparer/Chief Accountant



Kek Chin Ann  
General Director  
Authorised signatory  
22 March 2019

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.



## CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
01	Revenue from sales of goods and rendering of services	479,342,952,512	417,409,186,310
02	Less deductions	(2,691,613,462)	(1,630,157,816)
10	Net revenue from sales of goods and rendering of services	476,651,339,050	415,779,028,494
11	Cost of goods sold and services rendered	(371,018,654,033)	(328,150,205,648)
20	Gross profit from sales of goods and rendering of services	105,632,685,017	87,628,822,846
21	Financial income	5,909,004,558	1,685,731,849
22	Financial expenses	(1,486,865,278)	1,608,913,562
23	- Including: Interest expenses	(1,061,715,026)	(864,102,564)
25	Selling expenses	(77,419,099,364)	(55,105,111,643)
26	General and administration expenses	(34,857,769,913)	(29,059,827,293)
30	Net operating (loss)/profit	(2,222,044,980)	6,758,529,321
31	Other income	1,934,152,684	898,769,186
32	Other expenses	(555,590,237)	(713,113,438)
40	Net other income	1,378,562,447	185,655,748
50	Net accounting (loss)/profit before tax	(843,482,533)	6,944,185,069
51	Business income tax – current	(1,577,976,572)	(1,403,340,570)
52	Business income tax – deferred	-	(430,675,609)
60	Net (loss)/profit after tax	(2,421,459,105)	5,110,168,890
70	Basic (loss)/earnings per share	(484)	1,022

Vu Thi Huong Quynh  
Preparer/Chief Accountant



Kek Chin Ann  
General Director  
Authorised signatory  
22 March 2019

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
**(Indirect method)**

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01		<b>(843,482,533)</b>	<b>6,944,185,069</b>
	Adjustments for:		
02	Depreciation and amortisation	6,625,259,398	7,580,612,090
03	Provisions	1,326,247,877	582,808,507
04	Unrealised foreign exchange (gains)/losses	(58,688,727)	77,152,571
05	Profits from investing activities	(1,315,095,592)	(1,075,960,779)
06	Interest expense	1,061,715,026	864,102,564
08	<b>Operating profit before changes in working capital</b>	<b>6,795,955,449</b>	<b>14,972,900,022</b>
09	(Increase)/decrease in receivables	(849,602,790)	21,151,081,464
10	(Increase)/decrease in inventories	(70,028,455,995)	17,857,406,660
11	Increase/(decrease) in payables	10,496,211,598	(1,835,537,246)
12	Increase in prepaid expenses	(271,657,643)	(6,337,652,155)
13	Decrease in trading securities	5,648,780,000	-
14	Interest paid	(1,061,715,026)	(864,102,564)
15	Business income tax paid	(1,976,103,148)	(1,508,194,025)
17	Other payments on operating activities	(63,437,800)	(880,752,000)
20	<b>Net cash (outflows)/inflows from operating activities</b>	<b>(51,310,025,355)</b>	<b>42,555,150,156</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and other long-term assets	(5,164,895,320)	(1,626,186,050)
22	Proceeds from disposals of fixed assets	718,866,819	233,145,000
27	Dividends and interest received	638,501,363	886,690,779
30	<b>Net cash outflows from investing activities</b>	<b>(3,807,527,138)</b>	<b>(506,350,271)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33	Proceeds from borrowings	106,868,906,183	106,920,069,000
34	Repayments of borrowings	(86,983,771,488)	(109,698,106,363)
36	Dividends paid, profits distributed to owners	(4,998,612,000)	(2,486,951,250)
40	<b>Net cash inflows/(outflows) from financing activities</b>	<b>14,886,522,695</b>	<b>(5,264,988,613)</b>
50	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(40,231,029,798)</b>	<b>36,783,811,272</b>
60	<b>Cash and cash equivalents at beginning of year</b>	<b>48,332,558,940</b>	<b>11,549,132,249</b>
61	Effect of foreign exchange differences	7,642,815	(384,581)
70	<b>Cash and cash equivalents at end of year</b>	<b>8,109,171,957</b>	<b>48,332,558,940</b>

Major non-cash transactions during the year were amounts payable in relation to the purchases of fixed assets amounting to VND Nil (2017: VND 269,100,000)

  
 Vu Thi Huong Quynh  
 Preparer/Chief Accountant

  
 Kek Chin Ann  
 General Director  
 Authorised signatory  
 22 March 2019

The notes on pages 9 to 37 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 GENERAL INFORMATION**

Ha Long Canned Food Joint Stock Corporation ("the Company") was established in SR Vietnam pursuant to the Business Registration Certificate No. 0200344752 which was issued by Hai Phong Department of Planning and Investment on 5 March 1999. The latest amendment to the Business Registration Certificate was issued on 11 July 2018.

The principal business activities of the Group are: producing, processing, packaging and exporting aquatic products, sea products, frozen animal husbandry products and other food products.

The normal business cycle of the Group is 12 months.

In accordance to the Resolution of Board of Members No. 21/2017/NQ-HDQT, No. 22/2017/NQ-HDQT and No. 27/2017/NQ-HDQT on 6 October 2017, the management has decided to close the three following branches:

- Da Nang branch, located at 150 Dong Da Street, Thuan Phuoc Ward, Hai Chau District, Da Nang City, Vietnam;
- Ho Chi Minh branch, located at 30 Ly Long Tuong, My Quang – H30 Street, Tan Phong Ward, District 7, Ho Chi Minh City, Vietnam; and
- Hanoi branch, located at 80B Nguyen Van Cu Street, Bo De Ward, Long Bien District, Hanoi, Vietnam.

As at 31 December 2018, Ha Noi Branch was officially closed. The closing procedures for Da Nang and Ho Chi Minh Branches were under way.

As at 31 December 2018, the Company has two subsidiaries as below:

<b>Subsidiary</b>	<b>Principal activities</b>	<b>% Ownership</b>
Ha Long Canfoco - Da Nang Company Limited	Processing and storage of fish and fish products, meat and meat products, vegetables and fruits, livestock, poultry feed and aquatic products	100%
Ha Long Canfoco Kindergarten	Providing childcare and nursery education service.	100%

As at 31 December 2018, the Group had 791 employees (as at 31 December 2017: 717 employees).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

For the financial year ended 31 December 2018, the Company's accounting loss after tax is at VND 2,421,459,105 (2017: profit of VND 5,110,168,890) and as of that date, the Company's consolidated cash and cash equivalents as at 31 December 2018 is at VND 8,109,171,957 (2017: VND 48,332,558,940) and the existing loans facility with limit of VND 20,000,000,000 (the parent company) and loan facility with limit of VND 39,900,000,000 (the subsidiary company) will be expired on 02 October 2019 and 14 October 2019 respectively. The Company's ability to generate sufficient cash flow for its operation in the next twelve months since the balance sheet date would depend on its achieving revenue budget for 2019 and extension of the existing loan facilities. The General Director of both companies strongly believes that both companies are able to meet the revenue budgets and that the loan facilities will be extended or other financial arrangements can be arranged so as the companies are able to generate sufficient cash to pay their financial obligations as and when due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

**2.2 Fiscal year**

The Group's fiscal year is from 1 January to 31 December.

**2.3 Currency**

The consolidated financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial banks where the Group regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial banks where the Group opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Basis of consolidation**

The Group prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guidance on the preparation and presentation of consolidated financial statements issued by the Ministry of Finance on 22 December 2014.

**Subsidiary**

Subsidiary is the entity over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

**2.6 Trade receivables**

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the General Director of all outstanding amounts at the year end. Bad debts are written off when identified.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.7 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The Company applies the perpetual method for inventories.

Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period are recognised as an increase or decrease of operating expenses in the period.

**2.8 Investments**

**Trading securities**

Trading securities are securities, which are held for trading purpose to earn profit.

Trading securities are initially recorded at cost of acquisition. They are subsequently measured at cost less provision. The provision for diminution in value of trading securities is made when the cost is higher than its fair value.

Profit and loss from liquidation or disposal of trading securities is recorded in the income statement. The costs of trading securities disposed are determined by using the moving weighted average method.

**2.9 Fixed assets**

*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

*Depreciation and amortisation*

Fixed assets are depreciated and amortised using the straight-line method so as to write off the cost of the assets over their estimated useful lives or over the term of the project Business Registration Certificate if shorter. The principal annual rates of each asset class are as follows:

Plant and buildings	4% - 17%
Machinery	8% - 50%
Motor vehicles	10% - 25%
Software	20%

Land use rights with indefinite useful life are recorded at historical cost and are not amortised.





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.9 Fixed assets (continued)***Disposals*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

*Construction in progress*

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

**2.10 Leased assets**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**2.11 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight line method over their estimated useful lives.

**2.12 Payables**

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables including non-trade payables, and not relating to purchase of goods and services.

Payables are classified into short-term and long-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

**2.13 Borrowings and finance lease liabilities**

Borrowings and finance lease liabilities include borrowings and finance leases from banks, financial institutions, financial companies and other entities.

Borrowings and finance lease liabilities are classified into long-term and short-term based on remaining period from the balance sheet date to the maturity date.

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.14 Accrued expenses**

Accrued expenses include liabilities for goods and services received in the year but not yet paid for due to pending invoices or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

**2.15 Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

**2.16 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Group who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Group less the period during which the employee participates in the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Group.

The severance allowance is accrued at the end of the reporting period on the basis that each employee is entitled half of an average monthly salary for each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the six-month period prior to the balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in according with current regulations.

The Group did not recognise provision for severance allowance for employees because of the adoption of Circular No. 180/2012/TT-BTC issued by Ministry of Finance on 24 October 2012. The adoption of this Circular causes a difference with Vietnamese Accounting Standard No.18 "*Provisions, contingent assets and liabilities*". Had the Group adopted Vietnamese Accounting Standard, the provision for severance allowance as at 31 December 2018 would have been approximate VND 7,174,375 thousand (as at 31 December 2017: VND 6,855,047 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Provision for dismantling and restoration costs**

According to Circular 200/2014/TT-BTC dated 22 December 2014, the provision for dismantling and restoration costs of the Company's leased premises and land is measured at the present value of expenditures estimated to settle the dismantling and restoration obligation at the end of the lease term. The increase in the provision due to passage of time is recognised as an interest expense of the reporting period. As recognising the dismantling and restoration obligation gives access to future economic benefits, a dismantling and restoration asset is recognised in long-term prepaid expenses balance and is allocated to expenses using the straight line method over the period from the date of recognition to the time of returning the premises and land.

**2.18 Owners' capital**

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners are recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

**2.19 Appropriation of net profit**

Dividend of the Company is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's General Meeting of shareholders.

Net profit after income tax could be distributed to shareholders after approval at Shareholders' General Meeting, and after appropriation to other funds in accordance with the Group's charter and Vietnamese regulations.

The Group's funds are as below:

**(a) Development and investment fund**

Development and investment fund is appropriated from net profits of the Group and approved at the Shareholders' General Meeting.

**(b) Bonus and welfare fund**

The bonus and welfare fund is appropriated from the Group's net profit and subject to shareholders' approved at the Shareholders' General Meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.20 Revenue recognition****(a) Revenue from sales of goods**

Revenue from sales of goods is recognised in the income statement when all five (5) following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.

**(b) Revenue from rendering of services**

Revenue from the rendering of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the sale of services is only recognised when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**(c) Rental income**

Rental income arising from operating leases is recognised to the income statement on a straight line basis over the lease term.

**(d) Interest income**

Interest income is recognised on an earned basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.20 Revenue recognition (continued)****(e) Dividend income**

Income from dividend is recognised when the Group has established the receiving right from investees.

**2.21 Sales deductions**

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for products, goods or services which are sold in the period but are incurred after the balance sheet date but before the issuance of the consolidated financial statements are recorded as deduction of revenue of the period.

**2.22 Cost of goods sold and services rendered**

Cost of goods sold and cost of services rendered are cost of finished goods, merchandises, materials sold or services provided during the period, and recorded on the basis of matching with revenue and on prudent concept.

**2.23 Financial expenses**

Financial expenses are expenses incurred in the period for financial activities including provision for diminution in value of trading securities, interest expenses, and losses from foreign exchange differences.

**2.24 Selling expenses**

Selling expenses represent expenses that are incurred in process of selling products, goods, providing services, which mainly include salary expenses of sales staff, displays, promotion, packaging, and transportation.

**2.25 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs; social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, outside services and other expenses.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.26 Current and deferred income tax**

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit at the current tax rates. Current and deferred tax should be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.27 Dividend distribution**

Dividend of the Group is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's General Meeting of shareholders.

**2.28 Related parties**

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## 2.29 Segment reporting

A segment is a component which can be separated by the Group engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment of the Group is based on geographical segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Group's consolidated financial statements in order to help users of consolidated financial statements to understand and evaluate the situation the operations of the Group in a comprehensive way.

## 3 CASH AND CASH EQUIVALENTS

	2018 VND	2017 VND
Cash on hand	1,394,038,519	1,607,397,924
Cash at bank (*)	6,715,133,438	21,149,012,636
Cash equivalents	-	25,576,148,380
	<u>8,109,171,957</u>	<u>48,332,558,940</u>

(\*) Included in cash at bank is an amount of VND 800 million which is kept on behalf of Ha Long Canfoco Kindergarten – a subsidiary of the Company.

## 4 INVESTMENTS

## Trading securities

	2018			2017		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
Shares of Military Commercial Joint Stock Bank	-	-	-	3,142,610,000	2,880,029,800	262,580,200
Shares of Vietnam Prosperity Joint Stock Commercial Bank	-	-	-	2,506,170,000	7,093,984,000	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,648,780,000</u>	<u>9,974,013,800</u>	<u>262,580,200</u>

In October 2018, the Company sold all of its trading securities (Note 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2018 VND	2017 VND
Third parties	15,242,009,571	13,534,265,515
	<u>15,242,009,571</u>	<u>13,534,265,515</u>
Provision for doubtful debts (Note 7)	(1,570,039,243)	(885,479,363)
	<u>13,671,970,328</u>	<u>12,648,786,152</u>

Details for third parties with balances over 10% of total trade accounts receivable:

	2018 VND	2017 VND
Shafer- Haggart Co., Ltd	1,675,450,008	-
Linda Food GMBH	-	2,338,975,955
EB Co., Ltd	3,460,670,378	2,633,060,121
Vincommerce General Trading Service Joint Stock Company	2,245,553,229	-
	<u>1,675,450,008</u>	<u>2,633,060,121</u>

## 6 OTHER SHORT-TERM RECEIVABLES

	2018 VND	2017 VND
Receivables from individuals relating to VAT (*)	5,458,254,250	5,458,254,250
Advance for business trips and hospitality expenses	322,390,019	892,748,574
Others	1,238,678,157	1,161,066,203
	<u>7,019,322,426</u>	<u>7,512,069,027</u>
Provision for doubtful debts (Note 7)	(6,585,987,080)	(6,610,005,480)
In which:		
- Provision for receivables from individuals relating to VAT (*)	(5,458,254,250)	(5,458,254,250)
- Provision for other receivables	(1,127,732,830)	(1,151,751,230)
	<u>433,335,346</u>	<u>902,063,547</u>

(\*) This balance represents the receivables and its provision from individuals relating to the VAT payable to the State Budget amounting to VND 5,458,254,250 in accordance with Decision No. 03/HSPT dated 12 and 13 January 2005, issued by the Supreme People's Court of Vietnam – Appellate Court in Hanoi.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 7 DOUBTFUL DEBTS

Provisions for doubtful debts were as follows:

	2018		
	Cost VND	Recoverable amount VND	Provision VND
Total provision for doubtful debts			
i) Trade accounts receivable (Note 5)	15,242,009,571	13,671,970,328	1,570,039,243
ii) Other short-term receivables (Note 6)	7,019,322,426	433,335,346	6,585,987,080
	<u>22,261,331,997</u>	<u>14,105,305,674</u>	<u>8,156,026,323</u>
	2017		
	Cost VND	Recoverable amount VND	Provision VND
Total provision for doubtful debts			
i) Trade accounts receivable (Note 5)	13,534,265,515	12,648,786,152	885,479,363
ii) Other short-term receivables (Note 6)	7,512,069,027	902,063,547	6,610,005,480
	<u>21,046,334,542</u>	<u>13,550,849,699</u>	<u>7,495,484,843</u>

Movements of provision for doubtful debts during the year were as below:

	2018 VND	2017 VND
Beginning of year	7,495,484,843	7,501,882,354
Increase/(reversal)	660,541,480	(6,397,511)
End of year	<u>8,156,026,323</u>	<u>7,495,484,843</u>

## 8 INVENTORIES

	2018		2017	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	3,509,489,465	-	8,254,045	-
Raw materials	99,203,779,532	(2,713,249,846)	44,926,661,914	(3,323,470,312)
Tools and supplies	2,483,944,312	(21,085,790)	1,594,723,644	-
Work in progress	10,164,077,394	(617,502,436)	11,993,473,453	(455,486,723)
Finished goods	44,261,742,793	(3,094,684,228)	31,071,464,445	(1,739,278,668)
	<u>159,623,033,496</u>	<u>(6,446,522,300)</u>	<u>89,594,577,501</u>	<u>(5,518,235,703)</u>
Provision for decline in value of inventories	(6,446,522,300)		(5,518,235,703)	
	<u>153,176,511,196</u>		<u>84,076,341,798</u>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 8 INVENTORIES (CONTINUED)

Movements in the provision for decline in value of inventories during the year were as follows:

	2018 VND	2017 VND
Beginning of year	5,518,235,703	1,904,629,685
Increase	4,053,263,002	3,613,606,018
Reversal	(1,325,843,476)	-
Written off	(1,799,132,929)	-
End of year	<u>6,446,522,300</u>	<u>5,518,235,703</u>

## 9 PREPAID EXPENSES

	2018 VND	2017 VND
<b>(a) Short-term prepaid expenses</b>		
Insurance fees	19,276,341	192,297,846
Repair and maintenance expenses	247,763,069	224,549,653
Others	942,046,878	454,943,133
	<u>1,209,086,288</u>	<u>871,790,632</u>
<b>(b) Long-term prepaid expenses</b>		
Tools and office supplies	313,056,095	389,101,513
Assets retirement obligation	5,874,112,442	6,073,316,190
Others	894,761,639	685,150,486
	<u>7,081,930,176</u>	<u>7,147,568,189</u>

Movements in long-term prepaid expenses during the year were as follows:

	2018 VND	2017 VND
Beginning of year	7,147,568,189	1,584,708,511
Increase	1,222,534,127	6,724,982,972
Allocation	(1,288,172,140)	(1,162,123,294)
End of year	<u>7,081,930,176</u>	<u>7,147,568,189</u>

HA LONG CANNED FOOD JOINT STOCK CORPORATION

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

10 FIXED ASSETS

(a) Tangible fixed assets

	Plant and buildings VND	Machinery VND	Motor vehicles VND	Office equipment VND	Total VND
<b>Historical cost</b>					
As at 1 January 2018	51,377,652,869	74,407,687,095	6,002,486,396	2,336,851,020	134,124,677,380
New purchases	-	613,345,320	-	-	613,345,320
Transfers from construction in progress (Note 11) (*)	194,000,000	3,927,850,000	-	-	4,121,850,000
Disposals (**)	(1,467,136,474)	(7,461,474,587)	(2,161,450,000)	-	(11,090,061,061)
As at 31 December 2018	50,104,516,395	71,487,407,828	3,841,036,396	2,336,851,020	127,769,811,639
<b>Accumulated depreciation</b>					
As at 1 January 2018	35,452,555,096	47,659,716,720	5,111,677,231	2,311,638,853	90,535,587,900
Charge for the year	1,646,998,732	4,641,451,351	186,690,000	12,875,989	6,488,016,072
Disposals	(1,467,136,474)	(7,461,474,587)	(2,161,450,000)	-	(11,090,061,061)
As at 31 December 2018	35,632,417,354	44,839,693,484	3,136,917,231	2,324,514,842	85,933,542,911
<b>Net book value</b>					
As at 1 January 2018	15,925,097,773	26,747,970,375	890,809,165	25,212,167	43,589,089,480
As at 31 December 2018	14,472,099,041	26,647,714,344	704,119,165	12,336,178	41,836,268,728

Historical cost of fully depreciated fixed assets but still in use and not in use as at 31 December 2018 were respectively VND 48,189,537,006 and VND 8,417,209,491 (as at 31 December 2017: VND 43,165,934,284 and 10,786,009,709 respectively).

As at 31 December 2018, tangible fixed assets with carrying value of VND 13,681,043,805 (as at 31 December 2017: VND 3,154,926,935) were pledged with the banks as collateral for short- term borrowings granted to the Company (Note 16).

(\*) Increase in machinery during the year includes the meat grinder, sausage stuffing machines, refrigeration equipment.

(\*\*) Disposals in machinery during the year mainly includes sausage wrapping machine, pasteurizer machine which in accordance with decision No.01/2018/BB-HĐQT dated on 05 March 2018 and decision No.89/2018/QĐ-ĐHHL on 19 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 10 FIXED ASSETS (CONTINUED)

## (b) Intangible fixed assets

	Land use rights (*) VND	Software VND	Total VND
<b>Historical cost</b>			
As at 1 January 2018	12,532,172,202	-	12,532,172,202
Transfers from construction in progress (Note 11)	-	748,600,000	748,600,000
As at 31 December 2018	<u>12,532,172,202</u>	<u>748,600,000</u>	<u>13,280,772,202</u>
<b>Accumulated amortisation</b>			
As at 1 January 2018	-	-	-
Charge for the period	-	137,243,326	137,243,326
As at 31 December 2018	<u>-</u>	<u>137,243,326</u>	<u>137,243,326</u>
<b>Net book value</b>			
As at 1 January 2018	<u>12,532,172,202</u>	-	<u>12,532,172,202</u>
As at 31 December 2018	<u><u>12,532,172,202</u></u>	<u><u>611,356,674</u></u>	<u><u>13,143,528,876</u></u>

(\*) Intangible fixed assets are land use rights with indefinite useful life and intended purpose of building a factory as below:

- i) Land use right of Ha Long Canned Food Joint Stock Corporation with an area of 10,306m<sup>2</sup> at plot C3-4 and plot C3-5, Tho Quang Seafood Service Industrial Zone, Tho Quang Ward, Son Tra District, Da Nang City with book value of VND 11,259 million.
- ii) Land use right of Ha Long Canned Food Joint Stock Corporation with an area of 290.7m<sup>2</sup> at plot No. 43/1 Phuoc Long Street, Phuoc Long Ward, Nha Trang City, Khanh Hoa Province with book value of VND 729 million;
- iii) Land use right of Ha Long Canfoco - Da Nang Company Limited with an area of 215.4m<sup>2</sup> at plot No. 43/1 Phuoc Long Street, Phuoc Long Ward, Nha Trang City, Khanh Hoa Province with book value of approximately VND 544 million.

On 20 July 2016, the Company signed a land use right mortgage contract No. 77/2016/VCB DN with Joint Stock Commercial Bank for Foreign Trade of Vietnam - Da Nang branch, to use the land use right in Da Nang (book value of VND 11,259 million) as the collateral for the bank loans made by Ha Long Canfoco - Da Nang Company Limited, a subsidiary (Note 16).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11 CONSTRUCTION IN PROGRESS**

Details of construction in progress by projects are as follows:

	<b>2018 VND</b>	<b>2017 VND</b>
Warehouse under construction	-	42,272,590
IT software in trial run	-	588,000,000
	<u>-</u>	<u>630,272,590</u>

Movements in the construction in progress during the year were as follows:

	<b>2018 VND</b>	<b>2017 VND</b>
Beginning of year	630,272,590	483,272,590
Increase	4,282,450,000	201,000,000
Transfer to tangible fixed assets (Note 10(a))	(4,121,850,000)	(54,000,000)
Transfer to intangible fixed assets (Note 10(b))	(748,600,000)	-
Transfer to expenses	(42,272,590)	-
End of year	<u>-</u>	<u>630,272,590</u>

**12 SHORT-TERM TRADE ACCOUNTS PAYABLE**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties	<u>41,856,383,746</u>	<u>36,804,778,696</u>

Details for suppliers accounting from 10% or more of the total short-term trade accounts payable balance:

	<b>2018 VND</b>	<b>2017 VND</b>
Ha Long Foods Import Export One-member Co., Ltd.	8,280,698,080	623,436,000
My Chau Printing and Packaging JSC.	4,537,273,653	6,422,296,023
Xuan Viet Co., Ltd.	3,386,024,400	4,822,117,245
Mr. Nguyen Van Tho	<u>4,949,987,500</u>	<u>1,988,593,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 13 TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

Movements in tax and other receivables from/payables to the State Budget during the year were as follows:

	As at 1.1.2018 VND	Incurred during the year VND	Payment during the year VND	Reclassification VND	As at 31.12.2018 VND
<b>a) Receivables</b>					
Business income tax	-	-	-	476,288,583	476,288,583
<b>b) Payables</b>					
Value added tax	324,586,414	19,679,305,429	(18,071,596,771)	-	1,932,295,072
VAT on imported goods	-	46,157,643	(46,157,643)	-	-
Import - export duties	-	484,273,044	(484,273,044)	-	-
Business income tax	233,968,588	1,577,976,572	(1,976,103,148)	476,288,583	312,130,595
Personal income tax	1,132,076,851	2,533,951,418	(3,379,899,559)	-	286,128,710
Land and housing tax	-	99,687,000	(99,687,000)	-	-
Land rental fee (*)	-	901,647,000	(901,647,000)	-	-
Business license tax	-	7,000,000	(7,000,000)	-	-
VAT (**)	5,098,254,250	-	(360,000,000)	-	4,738,254,250
Penalty on late VAT payment	879,400,681	90,226,807	-	-	969,627,488
	<u>7,668,286,784</u>	<u>25,420,224,913</u>	<u>(25,326,364,165)</u>	<u>476,288,583</u>	<u>8,238,436,115</u>

(\*) This represents land rental fee payable to the State Budget in accordance with the land lease contract No. 11/HĐ/TĐ dated 15 March 1999 between the Company and Land and Housing Department of Hai Phong City, in relation to three plots of land respectively at No. 39, 43A, and 43B Le Lai Street, May Chai Ward, Ngo Quyen District, Hai Phong City with total area of 62,740.2 square meters, for the period of 40 years from 1 March 1999. The land rental fee is notified annually by the Tax Department of Ngo Quyen District, Hai Phong City.

(\*\*) This represents the Value Added Tax payable to the State Budget in accordance with Decision No. 03/HSPT dated 12 and 13 January 2005, issued by the Supreme People's Court of Vietnam – Appellate Court in Hanoi (Note 6). During the year, the Company paid VND 360 million to the tax authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 14 SHORT-TERM ACCRUED EXPENSES

	2018 VND	2017 VND
Distributor support expenses	2,083,926,328	1,035,376,862
Utilities (electricity, water and others)	34,451,990	29,887,046
Staff bonus	3,974,496,682	3,057,977,586
Others	189,614,469	491,200,956
	<u>6,282,489,469</u>	<u>4,614,442,450</u>

## 15 OTHER SHORT-TERM PAYABLES

	2018 VND	2017 VND
Payables of Ha Long Canfoco Kindergarten (*)	1,505,471,600	1,467,022,900
Trade union	595,311,397	685,734,133
Dividend payable (Note 21)	67,739,500	66,351,500
Others	830,414,034	920,819,054
	<u>2,998,936,531</u>	<u>3,139,927,587</u>

(\*) This represents the remaining amount that Ha Long Canfoco Kindergarten received from children's parents but not yet paid for children's meals and kindergarten facilities.

## 16 BORROWINGS

	Joint Stock Commercial Bank for Foreign Trade of Vietnam- South Hai Phong Branch (*) VND	Joint Stock Commercial Bank for Foreign Trade of Vietnam- Da Nang Branch (**) VND	Total VND
As at 1.1.2018	-	38,126,595,000	38,126,595,000
Increase	19,999,575,520	86,869,330,663	106,868,906,183
Decrease	-	(86,983,771,488)	(86,983,771,488)
Exchange rate differences	-	(53,069,175)	(53,069,175)
As at 31.12.2018	<u>19,999,575,520</u>	<u>37,959,085,000</u>	<u>57,958,660,520</u>

(\*) On 2 October 2018, Ha Long Canned Food Joint Stock Corporation signed the Credit Limit Agreement No. 22/2018/HĐTD-HM-CAN with Joint Stock Commercial Bank for Foreign Trade of Vietnam – South Hai Phong Branch for funding capital. The credit limit of this facility is VND 20,000,000,000. Principals are repayable within 4 months from the drawdown date. Interests are payable on monthly basis at interest rates of 6.5% per annum.

This loan is secured by collaterals including tangible fixed assets under the mortgage agreement No. 22/2018/HĐTC-CAN and 22-A/2018/HĐTC-CAN dated 2 October 2018 with total carrying value of VND 11,051,938,018 as at 31 December 2018 (Note 10(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**16 BORROWINGS (CONTINUED)**

(\*\*) On 14 October 2018, Ha Long Canfoco – Da Nang Company Limited signed the Credit Limit Agreement No. 99/2018/VCB-KHDN with the Joint Stock Commercial Bank for Foreign Trade of Vietnam for funding working capital. The credit limit of this facility is VND 39,900,000,000. Principals are payable within 6 months from the drawdown date. Interests are payable on monthly basis at interest rates of 3.6% per annum.

This loan is secured by collaterals including:

- Tangible fixed assets under with total carrying value of VND 2,629,105,787 (Note 10(a)); and
- Land Use Right No. AN 104068 for the land of 10,306 square meters at plot C3-4 and plot C3-5, Tho Quang Seafood Service Industrial Zone, Tho Quang Ward, Son Tra District, Da Nang City issued by the Da Nang People's Committee on 11 May 2009.

**17 BONUS AND WELFARE FUND**

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

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

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Beginning of year	2,977,862,365	3,498,614,365
Utilised during the year	(63,437,800)	(520,752,000)
End of year	<u>2,914,424,565</u>	<u>2,977,862,365</u>

**18 PROVISIONS FOR OTHER LIABILITIES**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Provision for restoration cost (*)	<u>6,183,276,255</u>	<u>6,073,316,190</u>

(\*) This represents the provision for dismantling and restoration cost of the Company's leased land at 71 Le Lai Street, May Chai Ward, Ngo Quyen District, Hai Phong City, Vietnam in accordance with the Contract No. 11/HD/TD dated 15 March 1999 between the Company and Land and Housing Department of Hai Phong City, in which the Company has obligation to clear the land at the end of the lease term. The land clearance includes removals of the Company's properties located on the lands and restoration of the lands to their original condition.

The obligation is recognised by adjusting the Contractor's estimate as at 31 December 2018 by the following assumptions: (i) the Contractor's estimate will grow at the inflation rate of 5.37% per annum, to come up with the future cash flows, and (ii) the present value of the future cash flows is discounted at a rate of 5.5% per annum (i.e. the Government's bond rate for the period of 20 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 19 OWNERS' CAPITAL

## (a) Number of shares

	2018 Ordinary shares	2017 Ordinary shares
Number of shares registered	5,000,000	5,000,000
Number of shares issued	5,000,000	5,000,000
Number of existing shares in circulation	5,000,000	5,000,000

## (b) Details of owners' shareholding

	2018		2017	
	Ordinary shares	%	Ordinary shares	%
Shareholding owned by the State	1,387,360	27.75	1,387,360	27.75
Shareholding owned by other owners	3,612,640	72.25	3,612,640	72.25
Number of shares issued	5,000,000	100	5,000,000	100

## (c) Movement of share capital

	Number of share capital	Ordinary shares VND	Total VND
As at 1 January 2017	5,000,000	50,000,000,000	50,000,000,000
As at 31 December 2017	5,000,000	50,000,000,000	50,000,000,000
As at 31 December 2018	5,000,000	50,000,000,000	50,000,000,000

Par value per share: VND 10,000.



HA LONG CANNED FOOD JOINT STOCK CORPORATION

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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20 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Investment and Development fund VND	Undistributed earnings VND	Total VND
As at 1 January 2017	50,000,000,000	15,753,387,350	29,020,260,148	17,952,945,238	112,726,592,736
Profit for the year	-	-	-	5,110,168,890	5,110,168,890
Dividends distribution (Note 21)	-	-	-	(2,500,000,000)	(2,500,000,000)
As at 31 December 2017	50,000,000,000	15,753,387,350	29,020,260,148	20,563,114,128	115,336,761,626
Profit for the year	-	-	-	(2,421,459,105)	(2,421,459,105)
Dividends distribution (Note 21)	-	-	-	(5,000,000,000)	(5,000,000,000)
As at 31 December 2018	50,000,000,000	15,753,387,350	29,020,260,148	13,141,655,023	107,915,302,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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## 21 DIVIDENDS

Movements in dividends payable during the year were as follow:

	2018 VND	2017 VND
Beginning of year	66,351,500	53,302,750
Dividends payable during the year (Note 20) (*)	5,000,000,000	2,500,000,000
Dividends paid in cash	(4,998,612,000)	(2,486,951,250)
End of year	<u>67,739,500</u>	<u>66,351,500</u>

(\*) During the year, the Company declared dividend of VND 5,000,000,000 in accordance with the Annual Shareholders' General Meeting minutes No. 01/2018/BB-DHĐCĐ dated 18 April 2018 as 10% per par value of the ordinary shares (equal to VND 1000 per ordinary share).

## 22 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare fund by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares:

	2018	2017
Net (loss)/profit attributable to shareholders (VND)	(2,421,459,105)	5,110,168,890
	<u>(2,421,459,105)</u>	<u>5,110,168,890</u>
Weighted average number of ordinary shares in issue (shares)	5,000,000	5,000,000
Basic (loss)/earnings per share (VND)	<u>(484)</u>	<u>1,022</u>

## 23 OFF BALANCE SHEET ITEMS

	2018 VND	2017 VND
Foreign currencies	<u>717,051,057</u>	<u>582,976,812</u>

Included in cash and cash equivalents were balances held in foreign currencies of USD 30,992 (as at 31 December 2017: USD 26,004).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 24 NET REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	2018 VND	2017 VND
<b>Revenue</b>		
Revenue from sales of finished goods	475,610,529,098	413,253,692,670
Revenue from childcare and nursery education services	2,048,223,414	2,381,930,000
Revenue from rental	1,684,200,000	1,773,563,640
	<u>479,342,952,512</u>	<u>417,409,186,310</u>
<b>Sales deductions</b>		
Trade discounts	(2,199,855,507)	(394,750,758)
Sales allowances	-	(13,095,482)
Sales returns	(491,757,955)	(1,222,311,576)
	<u>(2,691,613,462)</u>	<u>(1,630,157,816)</u>
<b>Net revenue from sales of goods and rendering of services</b>		
Net revenue from sales of finished goods	472,918,915,636	411,623,534,854
Net revenue from childcare and nursery education services	2,048,223,414	2,381,930,000
Net revenue from rental	1,684,200,000	1,773,563,640
	<u>476,651,339,050</u>	<u>415,779,028,494</u>

## 25 COST OF GOODS SOLD AND SERVICES RENDERED

	2018 VND	2017 VND
Cost of goods sold	367,789,315,136	322,030,704,530
Cost of childcare and nursery education services	2,301,052,300	2,505,895,100
Provision for decline in value of inventories	928,286,597	3,613,606,018
	<u>371,018,654,033</u>	<u>328,150,205,648</u>

## 26 FINANCIAL INCOME

	2018 VND	2017 VND
Interest income from deposits	570,432,073	821,897,979
Gains from sale of trading securities	4,499,178,758	-
Net gain from foreign currency translation at year-end	58,688,727	-
Dividends received	68,069,290	64,792,800
Realised foreign exchange gains	712,635,710	799,041,070
	<u>5,909,004,558</u>	<u>1,685,731,849</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 27 FINANCIAL EXPENSES

	2018 VND	2017 VND
Interest expenses	1,061,715,026	864,102,564
Reversal of provision for diminution in value of trading securities	(262,580,200)	(3,024,400,000)
Realised foreign exchange losses	545,803,150	473,747,303
Net loss from foreign currency translation at year-end	-	77,152,571
Others	141,927,302	484,000
	<u>1,486,865,278</u>	<u>(1,608,913,562)</u>

## 28 SELLING EXPENSES

	2018 VND	2017 VND
Staff costs	48,351,918,874	32,001,024,280
Depreciation and amortisation expenses	49,035,360	35,756,088
Logistics and loading costs	7,121,735,903	5,974,727,117
Distributor support expenses	9,832,265,848	7,680,376,730
Marketing and promotion expenses	2,451,792,131	2,584,119,260
Outside service expenses	2,631,859,487	1,496,903,309
Business trip expenses	5,285,165,243	3,870,986,294
Others	1,695,326,518	1,461,218,565
	<u>77,419,099,364</u>	<u>55,105,111,643</u>

## 29 GENERAL AND ADMINISTRATION EXPENSES

	2018 VND	2017 VND
Staff costs	14,887,585,266	15,697,093,315
Depreciation and amortisation expenses	587,066,527	894,603,617
Tax expenses	1,284,197,035	611,069,573
Outside service expenses	7,335,718,190	5,088,833,450
Business trip expenses	3,203,730,089	985,877,948
Others	7,559,472,806	5,782,349,390
	<u>34,857,769,913</u>	<u>29,059,827,293</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 30 BUSINESS INCOME TAX

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	2018 VND	2017 VND
Net accounting (loss)/ profit before tax	(843,482,533)	6,944,185,069
Tax calculated at a rate of 20%	(168,696,507)	1,388,837,014
Effect of:		
- Expenses not deductible	286,690,685	467,408,477
- Utilisation of previously unrecognised tax loss	-	(160,344,898)
- Tax losses for which no deferred income tax asset was recognised	1,294,432,809	-
- Consolidation entries	145,549,585	(90,078,439)
- Business income tax under-provision of previous years	20,000,000	228,194,025
Business income tax charge (*)	<u>1,577,976,572</u>	<u>1,834,016,179</u>
Charged to income statement:		
Business income tax – current	1,577,976,572	1,403,340,570
Business income tax – deferred	-	430,675,609
Business income tax charge	<u>1,577,976,572</u>	<u>1,834,016,179</u>

(\*) The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

## 31 COST OF OPERATION BY FACTOR

	2018 VND	2017 VND
Raw materials	301,283,470,714	267,219,666,756
Staff cost	114,976,600,428	86,363,994,883
Depreciation and amortisation expenses	6,625,259,398	7,580,612,090
Processing expenses	3,481,093,203	4,046,115,182
Transportation expenses	7,121,735,903	5,974,727,117
Distributor support expenses	9,832,265,848	7,680,376,730
Outside service expenses	16,347,977,310	12,919,074,406
Other cash expenses	25,801,456,910	18,231,946,487
	<u>485,469,859,714</u>	<u>410,016,513,651</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 32 SEGMENT REPORTING

Sales of the Group are mainly from producing, processing, packaging and exporting aquatic products, sea products, and frozen animal husbandry products (Note 24). Information of segment revenue and cost of sale based on the geographical location of the Group was as follows:

	Year ended 31 December 2018		
	Domestic VND	Export VND	Total VND
Net sales	381,877,578,829	94,773,760,221	476,651,339,050
Cost of sales	(288,044,902,490)	(82,973,751,543)	(371,018,654,033)
Gross profit	<u>93,832,676,339</u>	<u>11,800,008,678</u>	<u>105,632,685,017</u>
	Year ended 31 December 2017		
	Domestic VND	Export VND	Total VND
Net sales	312,153,821,484	103,625,207,010	415,779,028,494
Cost of sales	(235,132,495,370)	(93,017,710,278)	(328,150,205,648)
Gross profit	<u>77,021,326,114</u>	<u>10,607,496,732</u>	<u>87,628,822,846</u>

## 33 RELATED PARTY DISCLOSURES

## (a) Related party transactions

During the year, the following significant transactions were carried out with related parties:

	2018 VND	2017 VND
<i>i) Compensation of key management</i>		
Gross salaries and other benefits	<u>6,705,650,910</u>	<u>4,682,358,868</u>
<i>ii) Financing activities</i>		
Dividend declared:		
- State shareholder	1,387,360,000	693,680,000
- Other shareholders	3,612,640,000	1,806,320,000
	<u>5,000,000,000</u>	<u>2,500,000,000</u>
<i>iii) Others</i>		
Advance for business trips and hospitality expenses	<u>-</u>	<u>520,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 33 RELATED PARTY DISCLOSURES (CONTINUED)

## (b) Year end balances with related parties

	2018 VND	2017 VND
<i>i) Other short-term receivables</i>		
Advance for business trips and hospitality expenses	-	520,000,000
	<u>                    </u>	<u>                    </u>
<i>ii) Other short-term payables</i>		
Dividends payable (Note 21)	67,739,500	66,351,500
	<u>                    </u>	<u>                    </u>

## 34 COMMITMENTS UNDER OPERATING LEASES

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

	2018 VND	2017 VND
Within one year	1,258,483,990	1,096,805,280
Between one and five years	303,846,525	1,445,404,840
	<u>                    </u>	<u>                    </u>
Total minimum payments	1,562,330,515	2,542,210,120
	<u>                    </u>	<u>                    </u>

## 35 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the consolidated financial statements was as follows:

	2018 VND	2017 VND
Enterprise Resource Planning system	1,256,093,000	147,000,000
	<u>                    </u>	<u>                    </u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

## 36 COMPARATIVE FIGURES

## Consolidated balance sheet (impacted items only)

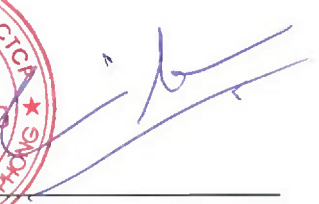
Code	As at 31.12.2017 (previously reported) VND	Reclassification VND	As at 31.12.2017 (as restated) VND
313 Tax and other payables to the State Budget (Note 13)	2,570,032,534	5,098,254,250	7,668,286,784
321 Provision for short-term liabilities	5,098,254,250	(5,098,254,250)	-

The consolidated financial statements for the year ended 31 December 2018 were approved by the General Director on 22 March 2019.



Vu Thi Huong Quynh  
Preparer/Chief Accountant



  
Kek Chin Ann  
General Director  
Authorised signatory