

VINH HOAN CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

VINH HOAN CORPORATION

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FOR THE YEAR ENDED 31 DECEMBER 2016**

TABLE OF CONTENTS	PAGE
Corporate information	1
Statement by the Board of Directors	2
Independent auditor's report	3
Consolidated balance sheet (Form B 01 – DN/HN)	5
Consolidated income statement (Form B 02 – DN/HN)	7
Consolidated cash flow statement (Form B 03 – DN/HN)	8
Notes to the consolidated financial statements (Form B 09 – DN/HN)	9

VINH HOAN CORPORATION

CORPORATE INFORMATION

Enterprise registration certificate

No. 1400112623 dated 17 April 2007 issued by the Department of Planning and Investment of Dong Thap Province

The latest amended Enterprise registration certificate is the twelfth amendment dated 29 December 2016 issued by the Department of Planning and Investment of Dong Thap Province

Board of Management

Mrs. Truong Thi Le Khanh	Chairman
Mrs. Nguyen Ngo Vi Tam	Member
Mr. Jean Eric Jacquemin	Member (resigned on 28.9.2016)
Mr. Vo Phu Duc	Member
Mrs. Truong Tuyet Hoa	Member
Mrs. Nguyen Thi Kim Dao	Member (appointed on 3.10.2016)

Board of Supervision

Ms. Nguyen Thi Thai Ly	Head (appointed on 30.6.2016)
	Member (resigned on 30.6.2016)
Mr. Pham Lam Trieu	Head (resigned on 23.5.2016)
Mr. Nguyen Ngoc Thanh	Member (appointed on 23.5.2016)
Mr. Tran Minh Hao	Member

Board of Directors

Mrs. Nguyen Ngo Vi Tam	General Director (appointed on 23.5.2016)
Mrs. Truong Thi Le Khanh	General Director (resigned on 23.5.2016)
Mr. Huynh Duc Trung	Director - Project
Mrs. Nguyen Thi Kim Dao	Director - Finance
Mrs. Ho Thanh Hue	Director - Production
Mrs. Truong Tuyet Phuong	Director - Purchasing (resigned on 1.6.2016)

Legal representative

Mrs. Truong Thi Le Khanh	Chairman (appointed on 29.12.2016)
Mrs. Nguyen Ngo Vi Tam	General Director (resigned on 29.12.2016)

Registered office

National Highway 30, Ward 11, Cao Lanh City,
Dong Thap Province, Vietnam

Auditor

PricewaterhouseCoopers (Vietnam) Limited

VINH HOAN CORPORATION

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

The Board of Directors of Vinh Hoan Corporation (“the Company”) is responsible for preparing consolidated financial statements of the Company and its subsidiaries (together referred to as “the Group”) which give a true and fair view of the financial position of the Group as at 31 December 2016, and the results of its operations and its cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

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

The Board of Directors is responsible for ensuring that proper accounting records are 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 Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements as set out on pages 5 to 43 which give a true and fair view of the financial position of the Group as at 31 December 2016, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

On behalf of the Board of Directors



Nguyen Ngo Vi Tam
General Director

Dong Thap Province, SR Vietnam
27 March 2017



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VINH HOAN CORPORATION

We have audited the accompanying consolidated financial statements of Vinh Hoan Corporation ("the Company") and its subsidiaries (together referred to as "the Group") which were prepared on 31 December 2016 and approved by the Board of Directors on 27 March 2017. The consolidated financial statements comprise the balance sheet as at 31 December 2016, the income statement and the 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 43.

The Board of Directors' Responsibility

The Board of Directors of the Company 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 consolidated financial statements and for such internal control which the Board of Directors determines is necessary to enable the preparation and fair presentation 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 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 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 Group'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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 present fairly, in all material respects, the financial position of the Group as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor whose report dated 29 March 2016 expressed an unqualified opinion on those statements.

For and on behalf of PricewaterhouseCoopers (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No.
0048-2016-006-1
Authorised signatory



Trieu Nguyen Duy
Audit Practising Licence No.
3022-2014-006-1

Report reference number: HCM5900
Ho Chi Minh City, 27 March 2017

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2016 VND	2015 VND
100	CURRENT ASSETS		2,748,388,388,483	2,847,043,514,890
110	Cash	3	164,635,864,246	296,092,552,290
111	Cash		164,635,864,246	296,092,552,290
120	Short-term investment	4(a)	169,275,191,322	251,008,141
123	Investments held to maturity		169,275,191,322	251,008,141
130	Short-term receivables		1,150,325,090,100	1,187,504,442,185
131	Short-term trade accounts receivable	5	944,083,667,925	978,387,095,828
132	Short-term prepayments to suppliers	6	190,493,978,302	159,150,345,667
136	Other short-term receivables	7	18,736,293,064	52,112,708,816
137	Provision for doubtful debts – short term		(2,988,849,191)	(2,145,708,126)
140	Inventories	8	1,213,755,638,148	1,299,754,002,665
141	Inventories		1,324,703,604,719	1,363,740,839,384
149	Provision for decline in value of inventories		(110,947,966,571)	(63,986,836,719)
150	Other current assets		50,396,604,667	63,441,509,609
151	Short-term prepaid expenses		15,001,610,266	4,441,250,870
152	Value Added Tax to be reclaimed		33,662,326,749	58,034,411,228
153	Other taxes receivable from the State Budget		1,732,667,652	965,847,511
200	LONG-TERM ASSETS		1,702,484,557,203	1,509,919,445,197
210	Long-term receivables		1,167,461,625	3,512,575,108
215	Long-term lending		-	2,309,113,483
216	Other long-term receivables		1,167,461,625	1,203,461,625
220	Fixed assets		1,323,138,566,722	1,067,275,384,111
221	Tangible fixed assets	9(a)	1,212,244,033,397	942,551,326,564
222	Cost		2,004,805,525,873	1,606,171,767,565
223	Accumulated depreciation		(792,561,492,476)	(663,620,441,001)
227	Intangible fixed assets	9(b)	110,894,533,325	124,724,057,547
228	Cost		125,444,253,681	136,781,493,381
229	Accumulated amortisation		(14,549,720,356)	(12,057,435,834)
240	Long-term asset in progress		176,729,928,029	245,627,838,605
242	Construction in progress	10	176,729,928,029	245,627,838,605
250	Long-term investments	4(b)	17,275,069,978	12,644,137,246
253	Investments in other entities		17,275,069,978	19,547,729,978
254	Provision for long-term investments		-	(6,903,592,732)
260	Other long-term assets		184,173,530,849	180,859,510,127
261	Long-term prepaid expenses	11	105,558,408,721	99,291,291,228
262	Deferred income tax assets	12	6,969,855,842	475,225,190
269	Goodwill	13	71,645,266,286	81,092,993,709
270	TOTAL ASSETS		4,450,872,945,686	4,356,962,960,087

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
 (continued)

Code	RESOURCES	Note	As at 31 December	
			2016 VND	2015 VND
300	LIABILITIES		2,057,759,301,910	2,267,633,647,956
310	Short-term liabilities		1,517,029,641,715	1,818,696,711,591
311	Short-term trade accounts payable	14	275,896,581,913	198,967,217,140
312	Short-term advances from customers		19,193,492,651	12,753,882,180
313	Tax and other payables to the State Budget	15	109,360,398,325	36,880,926,693
314	Payable to employees		117,820,035,479	102,021,990,107
315	Short-term accrued expenses	16	11,490,969,521	8,787,501,328
319	Other short-term payables	17	34,954,676,295	30,245,351,461
320	Short-term borrowings	18	865,657,118,683	1,333,672,541,156
321	Provision for short-term liabilities	19	33,566,154,322	43,100,000,000
322	Bonus and welfare fund	20	49,090,214,526	52,267,301,526
330	Long-term liabilities		540,729,660,195	448,936,936,365
338	Long-term borrowings	18	518,215,877,244	438,485,251,553
341	Deferred income tax liabilities	12	15,125,029,951	10,451,684,812
342	Provision for long-term liability		7,388,753,000	-
400	OWNERS' EQUITY		2,393,113,643,776	2,089,329,312,131
410	Capital and reserves	22	2,393,113,643,776	2,089,329,312,131
411	Owners' capital	21, 22	924,039,430,000	924,039,430,000
411a	- Ordinary shares with voting rights		924,039,430,000	924,039,430,000
412	Share premium	22	216,409,744,645	216,409,744,645
415	Treasury shares	22	(3,015,672,745)	-
417	Foreign exchange differences	22	(285,558,957)	97,965,256
421	Undistributed earnings	22	1,249,893,178,979	936,410,386,828
421a	- Undistributed post-tax profits of the previous years		685,655,679,328	613,852,104,651
421b	- Post-tax profit of current year		564,237,499,651	322,558,282,177
429	Non-controlling interests	22, 23	6,072,521,854	12,371,785,402
440	TOTAL RESOURCES		4,450,872,945,686	4,356,962,960,087

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 Ha Thi Phuong Thuy Hong Nhung
 Chief Accountant/Preparer



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 Nguyen Ngo Vi Tam
 General Director
 27 March 2017

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2016 VND	2015 VND
01	Revenue from sales of goods and rendering of services	7,369,981,598,268	6,527,521,103,629
02	Less deductions	(66,435,398,702)	(34,130,902,143)
10	Net revenue from sales of goods and rendering of services	27 7,303,546,199,566	6,493,390,201,486
11	Cost of goods sold and services rendered	28 (6,236,782,607,392)	(5,690,815,542,792)
20	Gross profit	1,066,763,592,174	802,574,658,694
21	Financial income	29 86,738,581,629	166,250,211,441
22	Financial expenses	30 (92,877,246,978)	(210,038,171,081)
23	- Including: Interest expense	30 (68,145,484,377)	(36,841,457,042)
25	Selling expenses	31 (266,377,952,906)	(252,576,318,983)
26	General and administration expenses	32 (114,678,239,962)	(117,543,470,973)
30	Net operating profit	679,568,733,957	388,666,909,098
31	Other income	12,417,051,973	4,260,707,290
32	Other expenses	(19,552,321,097)	(6,259,262,457)
40	Net other expenses	33 (7,135,269,124)	(1,998,555,167)
50	Net accounting profit before tax	672,433,464,833	386,668,353,931
51	Business income tax - current	34 (108,816,514,243)	(59,566,183,722)
52	Business income tax - deferred	12, 34 1,821,285,513	(6,269,483,940)
60	Net profit after tax	565,438,236,103	320,832,686,269
	In which:		
61	Post-tax profits of the parent company	566,737,499,651	322,558,282,177
62	Non-controlling interest	(1,299,263,548)	(1,725,595,908)
70	Basic earnings per share	25 5,922	3,274
71	Diluted earnings per share	25 5,922	3,274



Ha Thi Phuong Thuy Hong Nhung
Chief Accountant/Preparer



Nguyen Ngo Vi Tam
General Director
27 March 2017

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2016 VND	2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		672,433,464,833	386,668,353,931
		Net accounting profit before tax	
		Adjustments for:	
02		146,838,007,608	144,362,412,419
03		38,755,585,507	16,495,622,411
04		(7,166,433,668)	4,488,372,158
05		(32,856,101,745)	(50,893,736,983)
06	30	68,145,484,377	36,841,457,042
		886,150,006,912	537,962,480,978
		Operating profit before changes in working capital	
09		50,598,880,248	(74,601,809,419)
10		39,037,234,665	(213,579,935,197)
11			
12		113,408,969,446	44,605,675,314
		(1,459,967,833)	15,738,969,058
14		(76,341,319,125)	(42,641,806,967)
15	15	(32,636,132,227)	(39,429,345,543)
17		(23,177,087,000)	(82,520,437,379)
20		955,580,585,086	145,533,790,845
		Net cash inflows from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES			
21		(356,421,120,982)	(348,179,604,430)
22		7,351,033,191	12,993,604,862
23		(980,115,644,150)	(180,000,000,000)
24		813,288,064,202	982,200,000,000
25		(8,012,830,000)	(47,807,121,404)
26		28,503,089,795	-
27		30,460,764,153	61,263,924,934
30		(464,946,643,791)	480,470,803,962
		Net cash (outflows)/inflows from investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES			
32	22	(3,015,672,745)	-
33	18	4,760,993,959,668	8,772,902,300,085
34	18	(5,149,278,756,450)	(9,099,996,672,137)
36	24	(230,660,188,250)	(92,371,404,075)
40		(621,960,657,777)	(419,465,776,127)
		Net cash outflows from financing activities	
50		(131,326,716,482)	206,538,818,680
		Net (decrease)/increase in cash	
60	3	296,092,552,290	89,237,664,563
61		(129,971,562)	316,069,047
70	3	164,635,864,246	296,092,552,290
		Cash at end of year	

Major non-cash transactions in the year ended 31 December 2016 are presented in Note 37.


 Ha Thi Phuong Thuy Hong Nhung
 Chief Accountant/Preparer


 Nguyen Ngo Vi Tam
 General Director
 27 March 2017

The notes on pages 9 to 43 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 GENERAL INFORMATION

Vinh Hoan Corporation (“the Company”) is a joint stock company which was transformed from Vinh Hoan Co., Ltd. pursuant to Enterprise Registration Certificate No. 1400112623 issued by the Department of Planning and Investment of Dong Thap Province on 17 April 2007.

The Company’s shares were listed on the Ho Chi Minh Stock Exchange (“HOSE”) on 24 December 2007 in accordance with Decision No. 179/QĐ-SGDHCM issued by the HOSE.

The principal activities of the Company and subsidiaries (“the Group”) are:

- growing domestic aquaculture; processing and preserving aquatic products and products made from aquatic products; trading aquatic products, materials serving the production and processing of aquatic products and processing of aquatic feed; and
- extracting and manufacturing of hydrolyzed collagen and gelatin for medicine, cosmetics and food.

The normal business cycle of the Group is 12 months.

As at 31 December 2016, the Group comprised the parent company and 5 subsidiaries. Details of the Company’s subsidiaries are presented below:

Company name	Principal activities	Address of registered office	Percentage of ownership and voting rights	
			31.12.2016	31.12.2015
Vinh Hoan Food 2 Co., Ltd.	Trading food	Tan An Hemplet, Binh Thanh Trung Commune, Lap Vo District, Dong Thap Province	99.3%	99.3%
Vinh Hoan Collagen Corporation	Extracting and manufacturing of collagen and gelatin	National Highway 30, Ward 11, Cao Lanh City, Dong Thap Province	90%	85%
Van Duc Tien Giang Food Export Processing Co., Ltd.	Trading aquatic products	Dong Hoa Hemplet, Song Thuan Commune, Chau Thanh District, Tien Giang Province	100%	100%

1 GENERAL INFORMATION (continued)

Octogone Holdings PTE. Ltd.	Trading aquatic products and functional foods	No.3 Raffles Place#06-01 Bharat Building, Singapore	100%	100%
Octogone (Guangzhou) Trading Co., Ltd.	Trading aquatic products and functional foods	No.537 Northern Panyu Boulevard, Guangzhou City, Guangdong Province, P.R. China	100%	100%

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.

2.2 Fiscal year

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

2.3 Currency

The 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 as income or expenses in the consolidated 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 bank 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 bank where the Group opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Currency (continued)***Foreign operations*

Assets and liabilities of foreign operations are translated into VND at the closing exchange rates at date of the balance sheet. Income and expenses of the foreign operations are translated into VND at the average exchange rate of the accounting period.

The resulting foreign exchange differences arising from the translation of foreign operations are recorded under the item "Foreign exchange differences" of the owners' equity on the balance sheet.

2.4 Basis of consolidation**Subsidiaries**

Subsidiaries are all entities over which the Company 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 Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries 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 consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Basis of consolidation (continued)****Non-controlling transactions and interests**

The Group applies a policy of treating transactions with non-controlling interests ("NCI") as transactions with parties external to the Group.

NCI are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Group's share of net assets of the subsidiary and any consideration paid or received is recorded directly in the undistributed earnings under equity.

2.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition as accordance with current accounting requirements. Goodwill on acquisitions of subsidiaries is recognised as an asset and is amortised on a straight-line basis over its estimated period of benefit but not exceeding 10 years.

Goodwill on acquisitions of investments in joint ventures and associates is included in the carrying amount of the investments at the date of acquisition. The Group does not amortise this goodwill.

On disposal of subsidiaries, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on the disposal.

Goodwill is tested annually for impairment and carried at cost less accumulated amortisation less accumulated impairment losses. If there is evidence that the impairment during the year is higher than the annual goodwill charge, the Group records the impairment immediately in the accounting period.

2.6 Cash

Cash comprises cash on hand and cash at banks.

2.7 Trade receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 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. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.9 Investments**(a) Investments held to maturity**

Investments held to maturity are investments which the Board of Directors has positive intention and ability to hold until maturity.

Investments held to maturity include term deposits, loans held to maturity for interest earnings and other held to maturity investments. Those investments are accounted for at cost less provision.

Provision for diminution in value of investments held to maturity is made when there is evidence that part or the whole of the investment is uncollectible.

(b) Investments in equity of other entities

Investments in equity of other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except when the loss was anticipated in their business plan before the date of investment.

2.10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Fixed assets (continued)***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 enterprise registration certificate if shorter. The estimated useful lives are as follows:

Buildings, structures	5 – 25 years
Machinery and equipment	3 – 10 years
Motor vehicles	4 – 10 years
Office equipment	3 – 6 years
Computer software	4 – 5 years

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

Land use rights with definite useful life are amortised using the straight-line method in accordance with the terms indicated in the land use right certificate.

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the consolidated 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. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

2.11 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 term of the lease.

2.12 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 estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.13 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 are non-trade payables and not related to purchase of goods and services.

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

2.14 Borrowing costs

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.

2.15 Accrued expenses

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

2.16 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. Provision is 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, provision 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 an interest expense.

2.17 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 to 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 year prior to the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.17 Provision for severance allowances (continued)**

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

2.18 Capital and reserves

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; the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities.

Undistributed earnings record the accumulated results after business income tax at the reporting date.

2.19 Appropriation of net profit*Dividend*

Net profit after business income tax could be distributed to shareholders after approval at the Company's General Meeting, and after appropriation to other funds in accordance with the Company's charter and Vietnamese regulations. Dividend of the Group is recognised as a liability in the consolidated financial statements of the period in which the dividends are approved by the shareholders at General Meeting.

Bonus and welfare fund

The bonus and welfare fund is appropriated from the Group's net profit and subject to shareholders' approval at the Company's General Meeting. This fund is set aside for the purpose of rewarding, encouragement, increasing common benefits and improvement of the employees' welfare and is recognised as a liability item in the consolidated balance sheet.

2.20 Revenue recognition**(a) Sales of goods**

Revenue from the sale 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.20 Revenue recognition (continued)****(a) Sales of goods (continued)**

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) Rendering of services

Revenue from 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.

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

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

2.21 Sales deductions

Sales deductions include 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 financial statements are recorded as deduction of revenue of the period.

2.22 Cost of goods sold and services rendered

Cost of goods sold or cost of services provided 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.23 Financial expenses**

Finance expenses are expenses incurred in the period for financial activities mainly including interest expenses, provision for diminution in value of investments in other entities, losses incurred when selling foreign currencies and losses from foreign exchange differences.

2.24 Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products, goods and providing services, which mainly comprise salary expenses of sales staff, publicity and advertising expenses, storage, packaging, transportation and other cash expenses.

2.25 General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses and benefits of administrative staffs, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration and other cash expenses.

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 profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, 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 profits will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.27 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 associates 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, close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Group considers the substance of the relationship not merely the legal form.

2.28 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 is the Group's 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

	2016 VND	2015 VND
Cash on hand	747,717,722	2,284,062,571
Cash at banks	163,888,146,524	293,808,489,719
	<u>164,635,864,246</u>	<u>296,092,552,290</u>

4 INVESTMENTS**(a) Investments held to maturity**

	2016		2015	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits at banks	169,275,191,322	169,275,191,322	251,008,141	251,008,141

The term deposits represent bank deposits with maturity of more than three months and less than one year at the fixed interest rate in VND.

(b) Equity investments in other entities

	2016		2015	
	Cost VND	Provision VND	Cost VND	Provision VND
Cuu Long Seaproducts Company	15,977,340,000	-	18,250,000,000	(6,903,592,732)
Vinh Hoan (USA) Inc.	1,297,729,978	-	1,297,729,978	-
	17,275,069,978	-	19,547,729,978	(6,903,592,732)

Equity investments in other entities represent the investments that hold less than 20% voting rights in those entities.

As at reporting date of the consolidated financial statements, the Group had not determined the fair value of these investments since this information is not available.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2016 VND	2015 VND
Related parties (Note 38(b))	91,829,573	631,302,336
Third parties (*)	943,991,838,352	977,755,793,492
	944,083,667,925	978,387,095,828

(*) Details of customers accounting for 10% or more of total trade receivables balance are as below:

	2016 VND	2015 VND
Vinh Hoan (USA) Inc.	683,767,352,006	813,282,054,485

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE (continued)

As at 31 December 2016 and 31 December 2015, accounts receivable amount of USD8,750,000 (equivalent to VND198.800.000.000 as translated using the exchange rate as at 31 December 2016) had been pledged with HSBC Bank (Vietnam) Ltd. as security for a credit facility of USD17,500,000 which expires in 2017.

As at 31 December 2016, the balances of short-term trade accounts receivable which were past due over 1 year, amounting to VND3,831,990,256.

6 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	2016	2015
	VND	VND
Related parties (Note 38(b))	69,499,928,810	4,500,000,000
Third parties (*)	120,994,049,492	154,650,345,667
	<u>190,493,978,302</u>	<u>159,150,345,667</u>

(*) Details of suppliers accounting for 10% or more of the total prepayment to suppliers balance are as below:

	2016	2015
	VND	VND
Mr. Tran Van Khuol	22,889,678,200	-
Nutrawell (USA) Co., Ltd	22,211,776,920	-
Mr. Lam Quang Thanh	19,934,925,000	5,692,569,800
TST refrigeration equipment and insulation Co., Ltd.	1,907,354,870	21,656,811,691
State Capital Investment Corporation	-	26,174,510,000
	<u> </u>	<u> </u>

7 OTHER SHORT-TERM RECEIVABLES

	2016 VND	2015 VND
Related parties (Note 38(b))	1,218,734,267	532,702,902
Interest receivables from term deposits	5,502,611,112	-
Advances	5,585,863,773	43,660,226,847
Other receivables	6,429,083,912	7,919,779,067
	<u>18,736,293,064</u>	<u>52,112,708,816</u>

As at 31 December 2016 and 31 December 2015, there was no balance of other receivables past due or not past due but doubtful.

8 INVENTORIES

	2016		2015	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	-	-	8,000,965,141	-
Raw materials	93,034,263,924	-	74,564,312,624	-
Tools and supplies	8,999,223,571	-	8,154,634,679	-
Work in progress	540,086,026,952	-	795,921,774,926	-
Finished goods	678,227,948,660	(110,947,966,571)	476,134,366,927	(63,986,836,719)
Merchandises	4,356,141,612	-	964,785,087	-
	<u>1,324,703,604,719</u>	<u>(110,947,966,571)</u>	<u>1,363,740,839,384</u>	<u>(63,986,836,719)</u>

As at 31 December 2016 and 31 December 2015, inventories amounting to USD8,750,000 (equivalent to VND198,800,000,000 as translated using the exchange rate as at 31 December 2016) had been pledged with HSBC Bank (Vietnam) Ltd. as security for a credit facility of USD17,500,000 which expires in 2017.

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

	2016 VND	2015 VND
Beginning of year	63,986,836,719	55,038,519,478
Increase	46,961,129,852	8,948,317,241
End of year	<u>110,947,966,571</u>	<u>63,986,836,719</u>

VINH HOAN CORPORATION

Form B 09 – DN/HN

9 FIXED ASSETS

(a) Tangible fixed assets

	Buildings, structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Other tangible fixed assets VND	Total VND
Historical cost						
As at 1 January 2016	620,586,670,871	902,749,409,018	55,905,137,675	7,073,642,842	19,856,907,159	1,606,171,767,565
New purchases	3,123,484,697	58,400,319,306	5,564,755,444	3,513,003,727	9,157,557,604	79,759,120,778
Transfers from construction in progress (Note 10)	135,557,483,598	195,260,842,140	305,000,000	366,815,343	3,342,837,143	334,832,978,224
Disposals	(6,601,482,310)	(4,290,033,015)	(3,123,125,369)	-	(1,943,700,000)	(15,958,340,694)
As at 31 December 2016	752,666,156,856	1,152,120,537,449	58,651,767,750	10,953,461,912	30,413,601,906	2,004,805,525,873
Accumulated depreciation						
As at 1 January 2016	200,536,384,736	429,487,219,843	17,903,679,140	3,958,604,557	11,734,552,725	663,620,441,001
Charge for the year	52,516,396,170	70,672,929,844	7,873,144,764	1,395,143,535	2,440,381,350	134,897,995,663
Disposals	(760,521,847)	(2,085,878,128)	(2,523,384,432)	-	(587,159,781)	(5,956,944,188)
As at 31 December 2016	252,292,259,059	498,074,271,559	23,253,439,472	5,353,748,092	13,587,774,294	792,561,492,476
Net book value						
As at 1 January 2016	420,050,286,135	473,262,189,175	38,001,458,535	3,115,038,285	8,122,354,434	942,551,326,564
As at 31 December 2016	500,373,897,797	654,046,265,890	35,398,328,278	5,599,713,820	16,825,827,612	1,212,244,033,397

As at 31 December 2016, the Group's tangible fixed assets with a net book value of VND511,947,745,701 (2015: VND370,645,619,035) had been pledged with banks as security for borrowings granted to the Group (Note 18).

Cost of fully depreciated tangible fixed assets but still in use as at 31 December 2016 was VND336,086,128,015 (2015: VND315,332,208,594).

Total interest expenses which were capitalised during the year ended 31 December 2016 were VND8,825,630,997 (2015: nil).

9 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights VND	Computer Software VND	Total VND
Historical cost			
As at 1 January 2016	135,806,451,611	975,041,770	136,781,493,381
New purchases	4,063,165,000	188,845,300	4,252,010,300
Reclassification (Note 10)	(15,589,250,000)	-	(15,589,250,000)
As at 31 December 2016	<u>124,280,366,611</u>	<u>1,163,887,070</u>	<u>125,444,253,681</u>
Accumulated amortisation			
As at 1 January 2016	11,316,859,648	740,576,186	12,057,435,834
Charge for the year	2,385,753,128	106,531,394	2,492,284,522
As at 31 December 2016	<u>13,702,612,776</u>	<u>847,107,580</u>	<u>14,549,720,356</u>
Net book value			
As at 1 January 2016	124,489,591,963	234,465,584	124,724,057,547
As at 31 December 2016	<u><u>110,577,753,835</u></u>	<u><u>316,779,490</u></u>	<u><u>110,894,533,325</u></u>

As at 31 December 2016, the Group's land use rights with carrying value of VND52,182,162,615 (2015: VND47,589,316,629) had been pledged with banks as security for borrowings granted to the Group (Note 18).

Cost of fully amortised intangible fixed assets as at 31 December 2016 was VND2,093,934,617 (2015: VND1,792,081,890).

10 CONSTRUCTION IN PROGRESS

	2016 VND	2015 VND
Acquisition of fixed assets	154,793,983,910	177,933,504,569
Construction of plant	-	1,960,981,367
Expenses related to fishponds	1,931,000,229	7,821,117,471
Other construction in progress	20,004,943,890	57,912,235,198
	<u><u>176,729,928,029</u></u>	<u><u>245,627,838,605</u></u>

Total interest expenses which were capitalised during the year ended 31 December 2016 were nil (2015: VND11,498,305,555).

10 CONSTRUCTION IN PROGRESS (continued)

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

	2016 VND	2015 VND
Beginning of year	245,627,838,605	134,252,806,600
Increases	265,713,326,704	291,308,097,577
Transfers to tangible fixed assets (Note 9(a))	(334,832,978,224)	(146,017,470,804)
Reclassification (Note 9(b))	15,589,250,000	-
Other decreases	(15,367,509,056)	(33,915,594,768)
End of year	<u>176,729,928,029</u>	<u>245,627,838,605</u>

11 LONG-TERM PREPAID EXPENSES

	2016 VND	2015 VND
Fishpond construction and reinforcing fisheries	46,019,985,012	61,963,804,056
Compensation costs for land lease	18,826,543,725	19,217,406,300
Land rental prepaid	18,007,388,166	5,018,299,213
Pre-operating expenses	1,066,703,664	3,545,763,848
Others	21,637,788,154	9,546,017,811
	<u>105,558,408,721</u>	<u>99,291,291,228</u>

12 DEFERRED INCOME TAX

The gross movement in the deferred income tax without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred tax assets

	2016 VND	2015 VND
Beginning of year	475,225,190	4,050,170,875
Income statement charge/(credit) (Note 34)	6,494,630,652	(3,574,945,685)
End of year	<u>6,969,855,842</u>	<u>475,225,190</u>

Deferred income tax assets mainly come from provision for severance allowance and provision for anti-dumping.

12 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities

	2016 VND	2015 VND
Beginning of year	10,451,684,812	7,757,146,557
Income statement charge (Note 34)	4,673,345,139	2,694,538,255
End of year	<u>15,125,029,951</u>	<u>10,451,684,812</u>

Deferred income tax liabilities mainly come from provision for diminution in value of investments in subsidiaries.

The Group uses tax rate of 15% in year 2016 (2015: 15%) for determining deferred tax assets and deferred tax liabilities.

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

The Group's tax losses can be carried forward to offset against future taxable income for a maximum period of no more than five consecutive years from the year right after the year in which the loss was incurred. The actual amount of tax losses that can be carried forward is subject to review and approval of the tax authorities and may be different from the figures presented. The estimated amount of tax losses available for offset against the subsidiaries' future taxable income are as follows:

Year of tax loss	Status of tax authorities' review	Loss incurred	Loss utilised	Loss carried forward
		VND	VND	VND
Year ended 31.12.2012	Outstanding	(6,683,114,441)	-	(6,683,114,441)
Year ended 31.12.2013	Outstanding	(14,395,978,801)	-	(14,395,978,801)
Year ended 31.12.2014	Outstanding	(19,360,497,434)	-	(19,360,497,434)
Year ended 31.12.2015	Outstanding	(30,074,572,814)	-	(30,074,572,814)
Year ended 31.12.2016	Outstanding	<u>(17,846,515,610)</u>	<u>-</u>	<u>(17,846,515,610)</u>

The Group has not recognised deferred income tax assets relating to the above tax losses carried forward, as the realisation of the related tax benefits through future taxable profits of these subsidiaries currently can not be assessed as probable.

13 GOODWILL

	2016 VND	2015 VND
Beginning of year	81,092,993,709	90,540,721,132
Allocation	(9,447,727,423)	(9,447,727,423)
End of year	<u>71,645,266,286</u>	<u>81,092,993,709</u>

14 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2016		2015	
	Value VND	Able to pay amount VND	Value VND	Able to pay amount VND
Related parties (Note 38(b))	930,111,600	930,111,600	-	-
Third parties (*)	274,966,470,313	274,966,470,313	198,967,217,140	198,967,217,140
	<u>275,896,581,913</u>	<u>275,896,581,913</u>	<u>198,967,217,140</u>	<u>198,967,217,140</u>

(*) Details of suppliers accounting for 10% or more of the total trade payables balance are as below:

	2016 VND	2015 VND
Mr. Nguyen Hoang Vu	26,885,567,050	14,380,004,380
Mr. Tran Minh Triet	7,849,784,220	38,386,331,070
	<u>26,885,567,050</u>	<u>38,386,331,070</u>

As at 31 December 2016 and 31 December 2015, the Group did not have payables balance that were past due.

15 TAX AND OTHER PAYABLES TO THE STATE BUDGET

	2016 VND	2015 VND
Business income tax - current	108,472,187,097	32,291,805,081
Personal income tax	833,121,447	4,589,121,612
VAT	50,813,006	-
Others	4,276,775	-
	<u>109,360,398,325</u>	<u>36,880,926,693</u>

15 TAX AND OTHER PAYABLES TO THE STATE BUDGET (continued)

The movements in business income tax and personal income tax during the year are as follows:

	As at 1.1.2016	Payable during the year	Settled during the year	As at 31.12.2016
Business income tax	32,291,805,081	108,816,514,243	(32,636,132,227)	108,472,187,097
Personal income tax	4,589,121,612	17,311,099,518	(21,067,099,683)	833,121,447

16 SHORT-TERM ACCRUED EXPENSES

	2016 VND	2015 VND
Transportation	4,570,045,000	1,771,053,876
Interest expense	1,624,235,108	994,438,859
Others	5,296,689,413	6,022,008,593
	<u>11,490,969,521</u>	<u>8,787,501,328</u>

17 OTHER SHORT-TERM PAYABLES

	2016 VND	2015 VND
Payable to related parties (Note 38(b))	2,133,557,639	4,460,986,800
Dividends payable (Note 24)	180,012,000	85,492,750
Payment on behalf	8,351,250,000	-
Others	24,289,856,656	25,698,871,911
	<u>34,954,676,295</u>	<u>30,245,351,461</u>

As at 31 December 2016 and 31 December 2015, the Group did not have other payables balances that were past due.

18 BORROWINGS

	2016		2015	
	Value VND	Repayment capability VND	Value VND	Repayment capability VND
Short-term loans (*)	865,657,118,683	865,657,118,683	1,333,672,541,156	1,333,672,541,156
Long-term loans (**)	518,215,877,244	518,215,877,244	438,485,251,553	438,485,251,553

18 BORROWINGS (continued)

Movements of borrowings during the year are as follows:

	As at 1.1.2016 VND	Increase VND	Decrease VND	Reclassification VND	As at 31.12.2016 VND
Short-term loans	1,333,672,541,156	4,673,263,333,977	(5,149,278,756,450)	8,000,000,000	865,657,118,683
Long-term loans	438,485,251,553	87,730,625,691	-	(8,000,000,000)	518,215,877,244

As at 31 December 2016 and 31 December 2015, the Group did not have overdue borrowing.

(*) Details of short-term borrowings are as follows:

	2016 VND	2015 VND
Vietnam Joint Stock Commercial Bank for Industry and Trade – Dong Thap Branch (ii)	408,574,739,171	144,205,865,862
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch (i)	216,563,316,238	1,134,333,304,339
HSBC Bank (Vietnam) Limited	197,969,063,274	28,083,370,955
ANZ Bank (Vietnam) Limited – Ho Chi Minh City Branch (iii)	42,550,000,000	21,950,000,000
The Vietnam Development Bank – Dong Thap Branch	-	5,100,000,000
	<u>865,657,118,683</u>	<u>1,333,672,541,156</u>

- (i) The balance represents borrowings in VND, which fall due in March and April 2017, with applicable interest rates being specified for each drawdown to finance the Company's working capital requirements. The borrowings are secured by the land use rights and the fixed assets in the Company's fish powder and fat-processing factory (Note 9).

18 BORROWINGS (continued)

(*) Details of short-term borrowings are as follows (continued):

- (i) The balance represents borrowings in VND, which fall due from January to March 2017, with applicable interest rates being specified for each drawdown to finance the Company's working capital requirements. The borrowings are secured by the land use rights and the assets attached to the land including the Company's factory workshops 1, 2 and 3 and all machinery and equipment in the factory of Van Duc Tien Giang Food Export Processing Co., Ltd. (Note 9).
- (ii) These are the loans in VND taken out by the Company and a subsidiary with applicable interest rates being specified for each drawdown to finance the working capital requirements. The loan is secured by the accounts receivable (Note 5) and inventory (Note 8) and the Company's guarantee amounting to USD10,000,000.
- (iii) These are unsecured loans in VND, which are due for repayment in February 2017.

(**) The balance represents long-term borrowings from the Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ho Chi Minh City Branch, with terms of over 84 to 120 months and grace periods from 12 to 24 months. The borrowings are secured by the land use rights and the fixed assets in the Company's fish powder and fat-processing factory (Note 9).

19 PROVISIONS FOR SHORT-TERM LIABILITY

The balance represents the estimated expenses related to anti-dumping lawsuit in the United States of America.

20 BONUS AND WELFARE FUND

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

	2016 VND	2015 VND
Beginning of year	52,267,301,526	57,347,843,544
Appropriated during the year (Note 22)	20,000,000,000	20,012,814,000
Utilised	(23,177,087,000)	(25,093,356,018)
End of year	<u>49,090,214,526</u>	<u>52,267,301,526</u>

VINH HOAN CORPORATION

Form B 09 – DN/HN

21 OWNERS' CAPITAL

(a) Number of shares

	2016		2015	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares registered	92,403,943	-	92,403,943	-
Number of shares issued	92,403,943	-	92,403,943	-
Number of shares repurchased	(102,060)	-	-	-
Number of existing shares in circulation	92,301,883	-	92,403,943	-

(b) Movement of share capital

	Number of share capital	Ordinary shares VND	Preference shares VND	Total VND
As at 1 January 2015, 31 December 2015 and 31 December 2016	92,403,943	924,039,430,000	-	924,039,430,000

Par value per share: VND10,000.

VINH HOAN CORPORATION

Form B 09 – DN/HN

22 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Foreign exchange differences VND	Undistributed earnings VND	Non-controlling interests VND	Total VND
As at 1 January 2015	924,039,430,000	216,409,744,645	-	4,596,414,898	724,868,688,147	16,843,744,960	1,886,758,022,650
Net profit for the year	-	-	-	-	322,558,282,177	(1,725,595,908)	320,832,686,269
Dividends paid	-	-	-	-	(92,403,943,000)	-	(92,403,943,000)
Profit appropriation to bonus and welfare fund	-	-	-	-	(20,012,814,000)	-	(20,012,814,000)
Divestments from a subsidiary	-	-	-	(4,596,414,898)	2,036,421,257	-	(2,559,993,641)
Additional investments in a subsidiary	-	-	-	-	(636,247,753)	-	(636,247,753)
Others	-	-	-	97,965,256	-	(2,746,363,650)	(2,648,398,394)
As at 31 December 2015	924,039,430,000	216,409,744,645	-	97,965,256	936,410,386,828	12,371,785,402	2,089,329,312,131
Net profit for the year	-	-	-	-	566,737,499,651	(1,299,263,548)	565,438,236,103
Dividends paid (*)	-	-	-	-	(230,754,707,500)	-	(230,754,707,500)
Profit appropriation to bonus and welfare fund (**)	-	-	-	-	(20,000,000,000)	-	(20,000,000,000)
Additional investments in a subsidiary	-	-	-	-	(2,500,000,000)	(5,000,000,000)	(7,500,000,000)
Repurchase of treasury shares	-	-	(3,015,672,745)	-	-	-	(3,015,672,745)
Others	-	-	-	(383,524,213)	-	-	(383,524,213)
As at 31 December 2016	924,039,430,000	216,409,744,645	(3,015,672,745)	(285,558,957)	1,249,893,178,979	6,072,521,854	2,393,415,643,776

(*) Pursuant to the Resolutions of the Annual General Meeting of shareholders on 23 May 2016, Board of Management issued the Resolutions dated 24 May 2016 and dated 7 November 2016 to declare cash dividends of 15% and 10%, respectively.

(**) In accordance with the Resolutions of the Annual General Meeting of shareholders on 23 May 2016, the Company appropriated an amount of VND20,000,000,000 from the 2015's profit after tax to the bonus fund in the year ended 31 December 2016.

23 NON-CONTROLLING INTEREST (“NCI”)

Details of NCI are as follows:

	2016 VND	2015 VND
Share capital	10,700,000,000	15,700,000,000
Allocated losses	(4,627,478,146)	(3,328,214,598)
	<u>6,072,521,854</u>	<u>12,371,785,402</u>

Movements of the NCI are as follows:

	2016 VND	2015 VND
Beginning of year	12,371,785,402	16,843,744,960
Allocated losses for the year	(1,299,263,548)	(1,725,595,908)
Decrease due to repurchase of share capital from NCI	(5,000,000,000)	(2,746,363,650)
End of year	<u>6,072,521,854</u>	<u>12,371,785,402</u>

24 DIVIDENDS

Movements of dividends payables during the year are as follows:

	2016 VND	2015 VND
Beginning of year	85,492,750	52,953,825
Dividends payable during the year	230,754,707,500	92,403,943,000
Dividends paid in cash during the year	(230,660,188,250)	(92,371,404,075)
End of year (Note 17)	<u>180,012,000</u>	<u>85,492,750</u>

25 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:

	2016	2015
Net profit attributable to shareholders (VND)	566,737,499,651	322,558,282,177
Less amount allocated to bonus and welfare funds (VND) (*)	(20,000,000,000)	(20,000,000,000)
	<u>546,737,499,651</u>	<u>302,558,282,177</u>
Weighted average number of ordinary shares in issue (shares)	<u>92,318,614</u>	<u>92,403,943</u>
Basic earnings per share (VND)	<u>5,922</u>	<u>3,274</u>

(*) Amounts appropriated to the bonus and welfare fund for the year ended 31 December 2016 were estimated based on the allocation rate of the planned appropriation to the bonus and welfare fund in accordance with the 2016 profit distribution plan, which was approved in the Annual General Meeting of the Company's shareholders.

The Company did not have potential shares which diluted earning per shares.

26 OFF BALANCE SHEET ITEMS**(a) Operating leases commitments**

The future minimum lease payments under non-cancellable operating leases for the years ended 31 December 2016 and 31 December 2015 are presented in Note 39.

(b) Foreign currencies

	2016	2015
United States Dollar ("USD")	6,428,780.81	12,814,557.33
Euro ("EUR")	537.16	6,750.13
Chinese Yuan Renminbi ("CNY")	518,869.89	184,080.02
Japanese Yen ("JPY")	33,435	32,887
Singapore Dollar ("SGD")	126,350.18	2,813
	<u> </u>	<u> </u>

27 REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	2016	2015
	VND	VND
Revenue		
Sales of finished goods	5,895,408,486,571	5,285,034,679,557
Sales of by-products	1,043,620,343,247	934,816,938,706
Sales of merchandises	405,840,089,712	251,507,250,406
Sales of raw materials	21,309,300,676	54,498,426,502
Rendering of services	3,803,378,062	1,663,808,458
	<u>7,369,981,598,268</u>	<u>6,527,521,103,629</u>
Deductions		
Sales allowances	(45,613,974,190)	(17,833,262,466)
Sales returns	(20,821,424,512)	(16,297,639,677)
	<u>(66,435,398,702)</u>	<u>(34,130,902,143)</u>
Net revenue	<u>7,303,546,199,566</u>	<u>6,493,390,201,486</u>

28 COST OF GOODS SOLD AND SERVICES RENDERED

	2016	2015
	VND	VND
Cost of finished goods sold	4,826,061,984,742	4,448,675,132,554
Cost of by-products sold	964,009,965,991	952,627,414,022
Cost of merchandises sold	375,715,694,726	223,593,381,403
Cost of raw materials sold	22,133,488,266	56,971,297,572
Cost of services provided	1,808,780,000	-
Provision for decline in value of inventories	46,961,129,852	8,948,317,241
Others	91,563,815	-
	<u>6,236,782,607,392</u>	<u>5,690,815,542,792</u>

29 FINANCIAL INCOME

	2016 VND	2015 VND
Realised foreign exchange gains	42,080,055,579	114,539,745,194
Interest income from deposits	27,976,131,561	44,089,074,021
Interest income on the advances for purchases of raw materials	7,987,243,704	7,078,813,830
Net gain from foreign currency translation at year-end	7,166,433,668	542,578,396
Others	1,528,717,117	-
	<u>86,738,581,629</u>	<u>166,250,211,441</u>

30 FINANCIAL EXPENSES

	2016 VND	2015 VND
Interest expense	68,145,484,377	36,841,457,042
Realised foreign exchange losses (Reversal of provision)/provision for diminution in value of investments	30,868,193,721	160,561,232,714
	(6,903,592,732)	6,903,592,732
Net loss from foreign currency translation at year-end	-	5,030,950,554
Loss from disposal of investments	456,910,205	700,938,039
Others	310,251,407	-
	<u>92,877,246,978</u>	<u>210,038,171,081</u>

31 SELLING EXPENSES

	2016 VND	2015 VND
Exhibition and advertising expenses	45,951,150,236	28,316,657,903
Staff costs	18,308,705,891	14,236,883,348
Transportation, storage and other outsourced service expenses	181,228,103,446	177,497,332,073
Others	20,889,993,333	32,525,445,659
	<u>266,377,952,906</u>	<u>252,576,318,983</u>

32 GENERAL AND ADMINISTRATION EXPENSES

	2016 VND	2015 VND
Staff costs	43,641,626,193	41,750,457,641
Depreciation and amortisation	14,252,682,572	14,806,217,283
Amortisation of goodwill	9,447,727,423	9,447,727,423
Tools and supplies	9,639,571,473	8,237,987,600
Others	37,696,632,301	43,301,081,026
	<u>114,678,239,962</u>	<u>117,543,470,973</u>

33 OTHER INCOME AND OTHER EXPENSES

	2016 VND	2015 VND
Other income		
Write-off of payables	3,857,863,226	309,529,535
Income from sales of scraps	3,090,497,698	-
Gains on disposal of fixed assets	-	618,151,477
Others	5,468,691,049	3,333,026,278
	<u>12,417,051,973</u>	<u>4,260,707,290</u>
Other expenses		
Depreciation and amortisation	12,180,716,947	-
Losses on disposal of fixed assets	2,650,363,315	-
Penalties	20,834,447	-
Others	4,700,406,388	6,259,262,457
	<u>19,552,321,097</u>	<u>6,259,262,457</u>
Net other expenses	<u>(7,135,269,124)</u>	<u>(1,998,555,167)</u>

34 BUSINESS INCOME TAX

In accordance with Circular No. 96/2015/TT-BTC dated 22 June 2015 issued by the Ministry of Finance, the Company and Van Duc Tien Giang Food Export Processing Co., Ltd are subject to business income tax ("BIT") rate at 15% for aquaculture processing activities and 20% for other activities.

The remaining subsidiaries of the Company have the obligations to pay BIT are as follows:

Octogone Holdings PTE. Ltd. and Octogone (Guangzhou) Trading Co., Limited

These companies have the obligation to pay BIT at a rate of 17% and 25% respectively in accordance with the regulations where these companies are incorporated.

34 BUSINESS INCOME TAX (continued)*Vinh Hoan Food 2 Co., Ltd. ("Vinh Hoan 2")*

In accordance with Investment Certificate No. 51121000117 dated 27 August 2012 issued by the People's Committee of Dong Thap Province, Vinh Hoan 2 is subject to the BIT rate of 20% in 10 years from the commencement date of operation for drying, peeling rice, manufacturing parboiled rice and polishing rice for export, and is exempt from BIT for 2 years from the first year making profit and entitled to a 50% reduction for 4 years thereafter. Vinh Hoan 2 has commenced operation since 2012.

Vinh Hoan Collagen Corporation ("Vinh Hoan Collagen")

In accordance with Investment Certificate No. 51121000127 dated 14 March 2013 issued by the People's Committee of Dong Thap Province, Vinh Hoan Collagen's income is subject to the BIT rate of 10% in 15 years from the first year generating revenue from activities entitled to tax incentives, and is exempt from BIT for 4 years from first year making taxable profit from the project and entitled to a 50% reduction for 9 years thereafter.

The Group's other activities are subject to BIT rate of 20% (2015: 22%).

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

	2016 VND	2015 VND
Net accounting profit before tax	672,433,464,833	386,668,353,931
Tax calculated at a rate of 20% (2015: 22%)	130,611,122,215	76,754,015,382
Effects of:		
Income not subject to tax	(1,219,100,197)	-
Non-deductible expenses	3,251,673,063	4,237,504,659
Tax incentives	(27,224,679,783)	(28,328,143,956)
Temporary differences for which no deferred income tax asset was recognised in the prior years	(6,465,000,000)	-
Tax losses for which no deferred income tax asset was recognised	3,703,297,489	6,631,379,877
Others	4,337,915,943	6,540,911,700
Business income tax charge	<u>106,995,228,730</u>	<u>65,835,667,662</u>
Charged/(credited) to income statement:		
Business income tax – current	108,816,514,243	59,566,183,722
Business income tax – deferred (*)	(1,821,285,513)	6,269,483,940
	<u>106,995,228,730</u>	<u>65,835,667,662</u>

34 BUSINESS INCOME TAX (continued)

(*) Deferred income tax expenses incurred during the year are mainly as below:

	2016 VND	2015 VND
Taxable temporary differences	15,125,029,951	2,965,782,936
Reversal of deferred income tax assets	475,225,190	4,050,170,875
Deductible temporary differences	(6,969,855,842)	(475,225,190)
Reversal of deferred income tax liabilities	(10,451,684,812)	(271,244,681)
Total deferred tax (income)/expense	<u>(1,821,285,513)</u>	<u>6,269,483,940</u>

35 COST OF OPERATION BY FACTOR

	2016 VND	2015 VND
Raw materials	5,071,940,875,733	4,646,323,899,128
Labour costs	560,620,516,850	544,573,862,060
Depreciation, amortisation and allocation of goodwill	134,657,290,661	154,144,602,328
Outsourced service expenses	645,272,673,695	455,310,954,245
Other cash expenses	180,066,852,951	173,859,795,887
	<u>6,592,558,209,890</u>	<u>5,974,213,113,648</u>

36 SEGMENT REPORTING

Geographical segments:

The Group's activities are mainly segmented by export and domestic activities. The Group does not monitor its operation results, fixed assets, other non-current assets or non-cash major expenses by the geographical areas of customers.

	2016 VND	2015 VND
Export	5,889,159,094,337	5,417,453,432,506
Domestic	1,414,387,105,229	1,075,936,768,981
Gross profit	<u>7,303,546,199,566</u>	<u>6,493,390,201,487</u>

36 SEGMENT REPORTING (continued)*Business activity segments:*

Growing, processing and trading aquatic products are the main activities that generate revenue and profit for the Group, while the other revenue streams only account for a small portion of the Group's total revenue; therefore the Board of Directors has determined that the Group has operated in only one business segment.

37 ADDITIONAL INFORMATION FOR THE ITEMS OF THE STATEMENT OF CASH FLOWS**(a) Non-cash transactions affect the statement of cash flows**

	2016 VND	2015 VND
Purchase of fixed assets not yet paid	782,932,046	7,479,595,246
Transfers of prepayments to acquire shares to long-term investments	26,174,510,000	-
Capitalised interest expenses during the year	8,825,630,997	-
Prepayment to purchase shares	-	26,174,510,000
Prepayment to purchase fixed assets	-	23,630,145,530
	<u> </u>	<u> </u>

(b) Amount of loan actually withdrawn during the year

	2016 VND	2015 VND
Proceeds from borrowings following normal borrowing contracts	4,760,993,959,668	8,772,902,300,085
	<u> </u>	<u> </u>

(c) Amount of loan principal actually paid during the year

	2016 VND	2015 VND
Proceeds from borrowings following normal borrowing contracts	5,149,278,756,450	9,099,996,672,137
	<u> </u>	<u> </u>

38 RELATED PARTY DISCLOSURES

(a) Related party transactions

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

	2016 VND	2015 VND
<i>i) Sales of goods and rendering of services</i>		
Individuals	32,636,033,000	544,962,949
Van Duc Food Co., Ltd.	1,054,246,652	-
	<u>33,690,279,652</u>	<u>544,962,949</u>
<i>ii) Purchases of goods and services</i>		
Individuals	<u>54,554,957,660</u>	<u>606,204,153</u>
<i>iii) Purchases of fixed assets</i>		
Individuals	<u>51,005,175,000</u>	-
<i>iv) Disposals of fixed assets</i>		
Van Duc Food Co., Ltd	<u>-</u>	<u>450,000,000</u>
<i>v) Compensation of key management</i>		
Gross salaries and other benefits	<u>21,745,692,591</u>	<u>21,265,967,000</u>

38 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties

	2016 VND	2015 VND
<i>i) Short-term trade accounts receivable (Note 5)</i>		
Van Duc Food Co., Ltd.	91,829,573	631,302,336
<i>ii) Short-term prepayment to suppliers (Note 6)</i>		
Individuals	69,499,928,810	4,500,000,000
<i>iii) Other short-term receivables (Note 7)</i>		
Board of Management and Directors	1,218,734,267	532,702,902
<i>iv) Short-term trade accounts payable (Note 14)</i>		
Individuals	930,111,600	-
<i>v) Other short-term payables (Note 17)</i>		
Van Duc Food Co., Ltd.	2,133,557,639	4,460,986,800

39 OPERATING LEASES COMMITMENTS

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

	2016 VND	2015 VND
Within one year	5,367,078,408	4,827,472,224
Between one and five years	21,131,591,234	21,780,033,026
Over five years	55,758,944,702	49,104,710,975
Total minimum payments	82,257,614,344	75,712,216,225

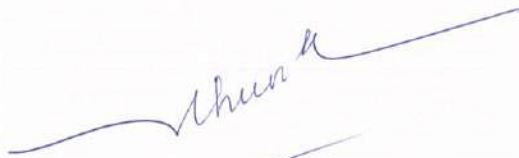
40 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the Board of Management's Resolutions dated 6 February 2016, the Group agreed to accept the transfer of share capital of Thanh Binh Dong Thap Seafood Joint Stock Company.

41 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

The consolidated financial statements were approved by the Board of Directors on 27 March 2017.



Ha Thi Phuong Thuy Hong Nhung
Chief Accountant/Preparer



Nguyen Ngo Vi Tam
General Director