

PHU BEN TEA COMPANY LIMITED

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL
STATEMENTS**

For the year ended 31 December 2019



PHU BEN TEA COMPANY LIMITED

Thanh Ba Town, Thanh Ba District

Phu Tho Province, S.R. Vietnam

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PHU BEN TEA COMPANY LIMITED

Thanh Ba Town, Thanh Ba District
Phu Tho Province, S.R. Vietnam

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Phu Ben Tea Company Limited (the "Company") presents this report together with the Company's financial statements for the year ended 31 December 2019.

THE MEMBERS' COUNCIL AND BOARD OF DIRECTORS

The members of the Members' Council and Board of Directors of the Company who held office during the year and to the date of this report are as follows:

Members' Council

Mr. Khalitan Aditya	Chairman
Mr. Takru Rajeev	Member
Mr. Baheti Kamal Kishore	Member

Board of Directors

Mr. Syed Nishat Hussain	General Director
Mr. Nguyen Luong Duyen	Deputy General Director
Ms. Nguyen Xuan Hoa	Deputy General Director (resigned on 01 February 2020)

BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

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 Company and that the financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Directors,



Atul Wal
Expert

As per the authorization letter dated 14 March 2020

Phu Tho, 29 May 2020

No.: *1227* /VN1A-HN-BC

INDEPENDENT AUDITORS' REPORT

To: **The Members' Council and Board of Directors of Phu Ben Tea Company Limited**

We have audited the accompanying financial statements of Phu Ben Tea Company Limited (the "Company") prepared on 29 May 2020 as set out from page 04 to page 21, which comprise the balance sheet as at 31 December 2019, and the statements of income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the 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 financial statements.

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

BALANCE SHEET

As at 31 December 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		233,933,344,007	214,108,472,398
I. Cash	110	4	309,942,920	831,669,008
1. Cash	111		309,942,920	831,669,008
II. Short-term receivables	130		36,912,530,018	25,546,718,008
1. Short-term trade receivables	131	5	21,344,144,581	17,526,742,594
2. Short-term advances to suppliers	132	6	11,006,791,017	4,751,921,422
3. Other short-term receivables	136	7	4,561,594,420	3,268,053,992
III. Inventories	140	8	195,978,459,125	186,874,021,917
1. Inventories	141		195,978,459,125	186,874,021,917
IV. Other short-term assets	150		732,411,944	856,063,465
1. Value added tax deductibles	152		308,340,952	431,326,915
2. Taxes and other receivables from the State budget	153	12	424,070,992	424,736,550
B. NON-CURRENT ASSETS	200		213,484,651,233	225,933,408,361
I. Long-term receivables	210		4,916,303,304	375,752,384
1. Long-term trade receivables	211	5	4,540,550,920	-
2. Other long-term receivables	216		375,752,384	375,752,384
II. Fixed assets	220		203,133,850,737	219,057,479,580
1. Tangible fixed assets	221	9	203,054,695,802	218,957,031,221
- Cost	222		403,685,414,182	401,973,920,190
- Accumulated depreciation	223		(200,630,718,390)	(183,016,888,969)
2. Intangible assets	227		79,154,935	100,448,359
- Cost	228		775,629,996	775,629,996
- Accumulated amortisation	229		(696,475,061)	(675,181,637)
III. Long-term assets in progress	240		4,073,991,797	4,073,991,797
1. Long-term construction in progress	242	10	4,073,991,797	4,073,991,797
IV. Other long-term assets	260		1,360,505,395	2,426,184,600
1. Long-term prepayments	261		1,360,505,395	2,426,184,600
TOTAL ASSETS (270=100+200)	270		447,417,995,240	440,041,880,759


The accompanying notes are an integral part of these financial statements


BALANCE SHEET (Continued)

As at 31 December 2019

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		342,614,623,886	312,965,754,112
I. Current liabilities	310		260,475,363,886	228,139,754,112
1. Short-term trade payables	311	11	34,335,887,352	24,752,116,583
2. Taxes and amounts payable to the State budget	313	12	4,240,290,502	3,950,321,959
3. Payables to employees	314		3,717,087,828	2,450,916,585
4. Short-term accrued expenses	315	13	87,377,918,292	79,162,332,898
5. Other current payables	319		1,818,773,140	2,403,575,257
6. Short-term loans and obligations under finance leases	320	14	128,985,406,772	115,420,490,830
II. Long-term liabilities	330		82,139,260,000	84,826,000,000
1. Long-term loans and obligations under finance leases	338	15	82,139,260,000	84,826,000,000
D. EQUITY	400		104,803,371,354	127,076,126,647
I. Owner's equity	410	16	104,803,371,354	127,076,126,647
1. Owner's contributed capital	411		396,743,862,500	396,743,862,500
2. Accumulated losses	421		(291,940,491,146)	(269,667,735,853)
- Losses accumulated to the prior year end	421a		(269,667,735,853)	(216,564,615,411)
- Losses of the current year	421b		(22,272,755,293)	(53,103,120,442)
TOTAL RESOURCES (440=300+400)	440		447,417,995,240	440,041,880,759


 Nguyen Thi Nam Thuong
 Preparer/Chief Accountant


 Atul Wal
 Expert

29 May 2020

PHU BEN TEA COMPANY LIMITED

Thanh Ba Town, Thanh Ba District
Phu Tho Province, S.R. Vietnam

FORM B 02-DN


Issued under Circular No.200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance

INCOME STATEMENT


For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01	18	250,480,166,964	256,507,521,316
2. Cost of sales	11		227,216,985,810	246,439,095,481
3. Gross profit from goods sold and services rendered (20=01-11)	20		23,263,181,154	10,068,425,835
4. Financial income	21		882,549,008	864,252,922
5. Financial expenses	22	20	14,151,881,379	32,858,554,159
- In which: Interest expense	23		13,033,475,235	22,625,928,909
6. Selling expenses	25	21	14,119,500,780	13,946,162,814
7. General and administration expenses	26	21	18,068,255,606	17,632,865,421
8. Operating losses (30=20+(21-22)-(25+26))	30		(22,193,907,603)	(53,504,903,637)
9. Other income	31		1,233,309,579	1,677,112,427
10. Other expenses	32		1,312,157,269	1,275,329,232
11. (Loss)/profit from other activities (40=31-32)	40		(78,847,690)	401,783,195
12. Accounting loss before tax (50=30+40)	50		(22,272,755,293)	(53,103,120,442)
13. Current corporate income tax expense	51	22	-	-
14. Net losses after corporate income tax (60=50-51)	60		(22,272,755,293)	(53,103,120,442)


Nguyen Thi Nam Thuong
Preparer/Chief Accountant




Atul Wai
Expert

29 May 2020

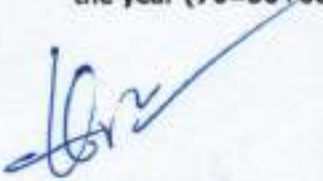
The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Losses before tax	01	(22,272,755,293)	(53,103,120,442)
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	17,635,122,835	17,774,564,057
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(720,777,525)	6,752,453,550
Gain from investing activities	05	(5,869,804)	(10,583,440)
Interest expense	06	13,033,475,235	22,625,928,909
3. Operating profit/(loss) before movements in	08	7,669,195,448	(5,960,757,366)
Increases in receivables	09	(15,782,711,409)	(1,955,942,592)
Increases in inventories	10	(9,104,437,208)	(29,599,879,719)
Increases in payables (excluding accrued loan interest and corporate income tax payable)	11	13,159,663,089	21,004,483,414
Decreases in prepaid expenses	12	1,065,679,205	1,436,306,187
Interest paid	14	(7,396,531,105)	(3,080,625,920)
Net cash used in operating activities	20	(10,389,141,980)	(18,156,415,996)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(1,711,493,992)	(6,636,067,360)
2. Interest earned, dividends and profits received	27	5,869,804	10,583,440
Net cash used in investing activities	30	(1,705,624,188)	(6,625,483,920)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	298,352,102,782	198,789,123,604
2. Repayment of borrowings	34	(286,755,152,326)	(174,750,094,659)
Net cash generated by financing activities	40	11,596,950,456	24,039,028,945
Net decreases in cash (50=20+30+40)	50	(497,815,712)	(742,870,971)
Cash and cash equivalents at the beginning of the year	60	831,669,008	1,580,401,960
Effects of changes in foreign exchange rates	61	(23,910,376)	(5,861,981)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	309,942,920	831,669,008


 Nguyen Thi Nam Thuong
 Preparer/Chief Accountant


 Atul-Wai
 Expert

29 May 2020

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION**Structure of ownership**

Phu Ben Tea Company Limited (the "Company") was originally established as a joint venture between Vietnam National Tea Corporation (VINATEA), the Vietnamese party, and Sea Holdings S.A., the foreign party, under Investment License No. 1162/GP dated 08 March 1995 issued by the Ministry of Planning and Investment (MPI) of Vietnam.

The Ministry of Planning and Investment of Vietnam approved the transfer of the total Vietnamese Party's contributed capital to S.A. Sipef NV (incorporated in Belgium) under the amended Investment License No. 1162A/GP dated 30 October 2003. The Company is currently a wholly foreign-owned entity. Accordingly, the Company's name was changed from Phu Ben Tea Joint Venture Company to Phu Ben Tea Company Limited. The operating duration of the Company is 50 years from the date of the first Investment License.

On 31 December 2008, Phu Ben Tea Company Limited, S.A. Sipef NV and Borelli Tea Holdings Ltd. (incorporated in the United Kingdom) entered into an agreement in which S.A. Sipef NV transferred its total charter capital to Borelli Tea Holdings Ltd.

According to the 7th amendment of Investment Certificate No. 181 043 000 050 issued by People's Committee Phu Tho Province dated 12 November 2014, the owner of the Company is Borelli Tea Holdings Ltd.

The number of employees of the Company as at 31 December 2019 was 1,569 (31 December 2018: 1,932).

The Company's head office is located in Thanh Ba Town, Thanh Ba District, Phu Tho Province, Vietnam.

Operating industry and principal activities

The Company operates in the agricultural product manufacturing.

The principal activities of the Company are to plant, cultivate, purchase and process tea for selling domestically and abroad; and to plant, cultivate, purchase and process agricultural products.

Normal production and business cycle

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2018.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The accompanying 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 Vietnam.

Financial year

The Company's financial year begins on 01 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

Cash

Cash comprises cash on hand and bank demand deposits.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are accounted for using perpetual inventory method.

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of tangible fixed assets constructed by contractors are the finally accounted cost of the work and directly related expenses, if any.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Buildings, structures	20 - 40
Machinery, equipment	12
Tea plantation areas and land improvements	33.33
Office equipment	5 - 8
Motor vehicles	3 - 10

Intangible assets and amortization

Intangible assets represent the value of accounting software that are stated at cost less accumulated amortisation. These are amortized using the straight-line method over their estimated useful lives.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Long-term prepayments

Long-term prepayments comprise costs of small tools, supplies and spare parts issued for consumption, which are expected to provide future economic benefits to the Company for one year or more. These expenditures have been capitalised as long-term prepayments, and are allocated to the income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Payable provisions

Payable provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied:

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

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement.

Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No.16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

All other borrowing costs are recognized in the Income statement when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH

	Closing balance	Opening balance
	VND	VND
Cash on hand	36,821,442	40,956,828
Bank demand deposits	273,121,478	790,712,180
	309,942,920	831,669,008

5. TRADE RECEIVABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
a. Short-term trade receivables		
Unilever Asia Private Limited Company	16,853,501,701	6,944,351,800
Orimi Trade JSC	1,594,107,606	2,396,233,350
Others	2,896,535,274	8,186,157,444
	<u>21,344,144,581</u>	<u>17,526,742,594</u>
b. Long-term trade receivables		
PT Sariwangi AEA	4,280,360,920	-
Thai Ha Company Limited	260,190,000	-
	<u>4,540,550,920</u>	<u>-</u>

6. SHORT-TERM ADVANCES TO SUPPLIERS

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Tee farms	8,694,045,949	3,583,078,077
Others	2,312,745,068	1,168,843,345
	<u>11,006,791,017</u>	<u>4,751,921,422</u>

7. OTHER SHORT-TERM RECEIVABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Other receivables from tea plantation	2,904,643,752	2,825,260,404
Classic Tea Limited	586,113,430	-
Advances to employees	576,039,773	-
Others	494,797,466	442,793,588
	<u>4,561,594,420</u>	<u>3,268,053,992</u>

8. INVENTORIES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Raw materials (*)	3,993,688,675	4,605,167,365
Tools and supplies	292,804,526	285,014,536
Work in progress	4,268,098,361	26,652,526,760
Finished goods	187,423,867,563	155,331,313,256
	<u>195,978,459,125</u>	<u>186,874,021,917</u>

(*) Raw materials mainly include the value of sub-materials to serve operations such as tea packaging materials, fertilizers, pesticides.

PHU BEN TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

9. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Tea plantation areas and land improvements	Office equipment	Motor vehicles	Total
	VND	VND	VND	VND	VND	VND
COST						
Opening balance	167,546,180,685	176,201,679,700	40,877,472,245	7,090,382,703	10,258,204,857	401,973,920,190
Additions	-	233,350,000	-	-	-	233,350,000
Transfer from construction in progress	-	1,478,143,992	-	-	-	1,478,143,992
Reclassification	-	(3,162,850,453)	-	3,162,850,453	-	-
Closing balance	167,546,180,685	174,750,323,239	40,877,472,245	10,253,233,156	10,258,204,857	403,685,414,182
ACCUMULATED DEPRECIATION						
Opening balance	46,967,133,562	108,553,826,012	13,146,871,353	7,062,700,437	7,286,357,605	183,016,888,969
Charge for the year	5,020,645,900	10,504,132,729	1,312,157,269	28,689,733	748,203,780	17,613,829,411
Reclassification	-	(3,146,746,453)	-	3,146,746,453	-	-
Closing balance	51,987,779,462	115,911,212,288	14,459,028,622	10,238,136,623	8,034,561,385	200,630,718,380
NET BOOK VALUE						
Opening balance	120,579,047,123	67,647,853,688	27,730,600,892	27,682,266	2,971,847,252	218,957,031,221
Closing balance	115,558,401,223	58,839,110,951	26,418,443,623	15,096,533	2,223,643,472	203,054,695,802

As at 31 December 2019, the cost of the Company's tangible fixed assets includes VND 65,122,477,223 (31 December 2018: VND 61,758,162,496) of assets which have been fully depreciated but are still in use.

As presented in Note 15, the Company has pledged its buildings, machinery and equipment with a carrying value of VND 110,196,149,757 as at 31 December 2019 (31 December 2018: VND 132,577,932,775), to secure banking facilities granted to the Company.

10. LONG-TERM CONSTRUCTION IN PROGRESS

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Cost of new tea plantation	3,874,629,556	3,874,629,556
Machinery under installation	199,362,241	199,362,241
	4,073,991,797	4,073,991,797

11. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u>		<u>Opening balance</u>	
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
Purchasing teams in farms	12,651,336,802	12,651,336,802	15,376,710,544	15,376,710,544
The Phong Trading and Services Co., Ltd.	4,498,378,093	4,498,378,093	2,339,389,056	2,339,389,056
Que Lam Phuong Bac Co., Ltd.	2,426,350,000	2,426,350,000	2,385,962,076	2,385,962,076
McLeod Russel India	91,215,998	91,215,998	91,215,998	91,215,998
Other suppliers	14,668,606,459	14,668,606,459	4,558,838,909	4,558,838,909
	34,335,887,352	34,335,887,352	24,752,116,583	24,752,116,583
In which:				
Trade payables to related parties (Details stated in Note 25)	91,215,998	91,215,998	91,215,998	91,215,998

12. TAXES AND AMOUNTS RECEIVABLE FROM/ PAYABLE TO THE STATE BUDGET

	Opening balance VND	Payable/Receivable during the year VND	Paid/Received during the year VND	Closing balance VND
Value added tax	(424,131,481)	1,612,250,667	1,612,190,178	(424,070,992)
Import duty	(605,069)	243,564,716	242,959,647	-
Land rentals	-	877,854,975	877,854,975	-
Personal income tax	103,120,691	548,599,866	550,305,123	101,415,434
Withholding tax	3,847,201,268	291,673,800	-	4,138,875,068
	3,525,585,409	3,573,944,024	3,283,309,923	3,816,219,510
In which:				
- Taxes and amounts payable to the State budget	3,950,321,959			4,240,290,502
- Taxes and other receivables from the State budget	(424,736,550)			(424,070,992)

13. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Interest expense	76,775,525,754	71,138,581,624
Royalty fee	4,645,932,375	4,622,965,743
Technical assistance fee	3,288,995,000	1,080,339,996
Selling expenses	1,914,906,979	1,742,334,091
Others	752,558,184	578,111,444
	87,377,918,292	79,162,332,898
In which:		
Accrued expenses to related parties (Details stated in Note 25)	84,680,613,827	76,933,103,361

PHU BEN TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

14. SHORT-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

	Opening balance		In the year		Closing balance	
	Amount	VND Amount able to be paid off	Increases	Decreases	Amount	VND Amount able to be paid off
Short-term loans						
- Vietnam Joint Stock Commercial Bank For Industry and Trade - Den Hung Branch (i)	114,258,490,830	114,258,490,830	297,633,328,268	282,906,412,326	128,985,406,772	128,985,406,772
- Military Commercial Joint Stock Bank - Viet Tri Branch (ii)	77,964,697,465	77,964,697,465	179,692,594,596	178,307,815,507	79,349,476,554	79,349,476,554
- Vietnam Prosperity Joint Stock Commercial Bank - Den Hung branch	24,376,321,365	24,376,321,365	53,030,988,777	54,695,774,046	22,711,536,096	22,711,536,096
Current portion of long-term loans (see Note 16)	11,917,472,000	11,917,472,000	64,909,744,895	49,902,822,773	26,924,394,122	26,924,394,122
	1,162,000,000	1,162,000,000	-	1,162,000,000	-	-
	115,420,490,830	115,420,490,830	297,633,328,268	284,068,412,326	128,985,406,772	128,985,406,772

(i) Represent short-term borrowings from Vietnam Joint Stock Commercial Bank for Industry and Trade - Den Hung Branch - for supplementing working capital. This facility can be withdrawn in Vietnam Dong or United States Dollar with a maximum amount of VND 90,000,000,000. This facility bears an interest rate of 4.0% and 4.3%/p.a. for USD and 9.0%/p.a. for VND and will be adjusted on a monthly basis. The loan terms are specified in each promissory note but do not exceed 6 months from the first disbursement dates. The Company used its tangible fixed assets as collaterals to secure the loans (see Note 9).

(ii) Represent short-term borrowings from Military Commercial Joint Stock Bank - Viet Tri Branch - for supplementing working capital. This facility can be withdrawn in Vietnam Dong or United States Dollar with a maximum amount of VND 100,000,000,000. This facility bears an interest rate from 4.0 - 4.5%/p.a. for USD and 7.8%/p.a. for VND and will be adjusted on a monthly basis. The loan terms are specified in each promissory note but do not exceed 8 months from the first disbursement dates. The Company used its tangible fixed assets as collaterals to secure the loans (see Note 9).

(iii) Represent short-term borrowings from Vietnam Prosperity Joint Stock Commercial Bank - Den Hung branch - for supplementing working capital. This facility can be withdrawn in Vietnam Dong or equivalent foreign currency with a maximum amount of VND 100,000,000,000. This facility bears an interest rate of 5.0%/p.a. for USD and will be adjusted periodically. The loan terms are specified in each promissory note but do not exceed 6 months from the first disbursement dates. The Company used its tangible fixed assets as collaterals to secure the loans (see Note 9).

PHU BEN TEA COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

15. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

	Opening balance		In the year		Closing balance	
	Amount	VND Amount able to be paid off	Increases	Decreases	Amount	VND Amount able to be paid off
Long-term loans						
Borelli Tea Holdings Limited (i)	85,988,000,000	85,988,000,000	-	3,848,740,000	82,139,260,000	82,139,260,000
	85,988,000,000	85,988,000,000	-	3,848,740,000	82,139,260,000	82,139,260,000
In which:						
- Amount due for settlement within 12 months	1,162,000,000	1,162,000,000			-	-
- Amount due for settlement after 12 months	84,826,000,000	84,826,000,000			82,139,260,000	82,139,260,000

(i) Represent an unsecured long-term loan from Borelli Tea Holdings Limited with the total amount of USD 3,535,000 (as at 31 December 2018: USD 3,700,000) and bears an interest rate of 7% per annum. The loan would be repaid on yearly basis and matures in 2030. This loan was obtained to finance the Company's business operations and construction investment.

Long-term loans are repayable as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
On demand or within one year	-	1,162,000,000
In the second year	-	-
In the third to fifth year inclusive	-	-
After five years	82,139,260,000	84,826,000,000
	<u>82,139,260,000</u>	<u>85,988,000,000</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	-	1,162,000,000
Amount due for settlement after 12 months	<u>82,139,260,000</u>	<u>84,826,000,000</u>

16. OWNER'S EQUITY

Movement in owner's equity

	<u>Owner's contributed capital</u>	<u>Accumulated (losses)</u>	<u>Total</u>
	<u>VND</u>	<u>VND</u>	<u>VND</u>
Prior year's opening	187,232,862,500	(216,564,615,411)	(29,331,752,911)
Loss for the year	-	(53,103,120,442)	(53,103,120,442)
Conversion of loan to capital contribution	209,511,000,000	-	209,511,000,000
Current year's opening balance	396,743,862,500	(269,667,735,853)	127,076,126,647
Loss for the year	-	(22,272,755,293)	(22,272,755,293)
Current year's closing balance	396,743,862,500	(291,940,491,146)	104,803,371,354

17. OFF BALANCE SHEET ITEMS

	<u>Closing balance</u>	<u>Opening balance</u>
Foreign currency (included in cash balance under Note 4)		
United States Dollar (USD)	22,835	17,554

18. REVENUE FROM GOODS SOLD

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Exported sales	237,042,432,204	247,964,563,816
Domestic sales	13,437,734,760	8,542,957,500
	<u>250,480,166,964</u>	<u>256,507,521,316</u>

19. PRODUCTION COST BY NATURE

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Raw materials and consumables	150,488,151,337	196,527,150,111
Labour	47,066,435,577	47,364,161,047
Depreciation and amortisation	18,790,680,368	17,774,564,057
Out-sourced services	27,476,540,890	26,397,127,503
Other monetary expenses	26,603,217,202	21,139,197,377
	<u>270,425,025,373</u>	<u>309,202,200,095</u>

20. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expense	13,033,475,235	22,625,928,909
Foreign exchange loss on revaluation of monetary items	823,196,571	3,555,206,186
Foreign exchange loss on conversion of long-term loan to owner's equity	-	4,455,000,000
Realized foreign exchange loss	295,209,573	2,222,419,064
	<u>14,151,881,379</u>	<u>32,858,554,159</u>

21. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Selling expenses		
Labour costs	518,152,801	502,424,534
Tools supplies and allocations	517,206,118	916,537,334
Out-sourced services	8,410,021,472	7,805,995,793
Other monetary expenses	4,674,120,389	4,721,205,153
	<u>14,119,500,780</u>	<u>13,946,162,814</u>
General and administration expenses		
Labour costs	5,744,302,213	5,641,695,618
Depreciation and amortization expenses	972,276,694	1,443,618,331
Tools supplies and allocations	231,040,584	794,451,215
Other monetary expenses	11,120,636,115	9,753,100,257
	<u>18,068,255,606</u>	<u>17,632,865,421</u>

22. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
(Losses) before tax	(22,272,755,293)	(53,103,120,442)
Adjustments for taxable profit		
Less: non-taxable income	-	-
Add back: non-deductible expenses	-	-
Loss carry-forward	-	-
Taxable profit	(22,272,755,293)	(53,103,120,442)
Tax rate	10% and 20%	10% and 20%
Corporate income tax expense based on taxable profit in the current year	<u>-</u>	<u>-</u>

The Company is obliged to pay corporate income tax at the rate of 10% of its taxable profit for main business activities. Other incomes are entitled to the tax rate of 20%.

As at 31 December 2019, the Company had taxable losses available to offset against future profits within 5 years since the year loss incurred. No deferred tax asset has been recognized due to the uncertainty of future profits.

23. COMMITMENTS

Operating lease commitments

The Company uses the land areas of 10.72 hectares and 0.34 hectares under operating leases at the respective annual rental charges of USD 200 and USD 4,200 per hectare. In addition, the Company also has 2,184 hectares of tea plantations with the existing annual rental charge of USD 10 per hectare and 26.53 hectares of agricultural land entitled to tax exemption. Land lease contracts are valid for about 38 years to 50 years from the signing dates. These land rental charges will be reviewed every 5 years but the margin rate will not exceed 15% of the charges of previous years.

As at the balance sheet date, the Company had outstanding land rental commitments which fall due as follows:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Within one year	877,854,975	875,716,213
In the second to fifth year inclusive	3,511,419,900	3,502,864,852
After five years	18,434,954,475	19,265,756,686
	<u>22,824,229,350</u>	<u>23,644,337,751</u>

24. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions and balances for the year:

<u>Related party</u>	<u>Relationship</u>
Borelli Tea Holdings Ltd.	Parent company
McLeod Russel Middle East Ltd.	Affiliate
McLeod Russel India Ltd.	Ultimate parent company

During the year, the Company entered into the following significant transactions with its related parties:

	<u>Current year</u> VND	<u>Prior year</u> VND
Borelli Tea Holdings Ltd.		
Interest expense	5,833,476,016	19,551,578,987
Principal paid in the year	3,848,740,000	-
Royalty fee	-	738,088,071
Conversion of loan to capital contribution	-	209,511,000,000
McLeod Russel India Ltd.		
Technical assistance fee	2,208,655,004	1,080,339,996
McLeod Russel Middle East Ltd.		
Sales	-	172,374,840
Board of Directors' remuneration		
Board of Directors' remuneration	1,278,639,101	1,273,308,855

	Closing balance	Opening balance
	VND	VND
McLeod Russel India Ltd.		
Technical assistance fee payable	3,288,995,000	1,080,339,996
Software-licenses fee payable	91,215,998	91,215,998
Borelli Tea Holdings Ltd.		
Long-term loans	82,139,260,000	84,826,000,000
Current portion of long-term loans	-	1,162,000,000
Royalty payable	4,645,932,375	4,622,965,743
Interest payable	76,654,470,454	71,138,581,624

29 May 2020