

**PHU BEN TEA COMPANY LIMITED**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED FINANCIAL  
STATEMENTS**

**For the year ended 31 December 2018**

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## **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 2018.

### **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. Khaitan 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

### **BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY**

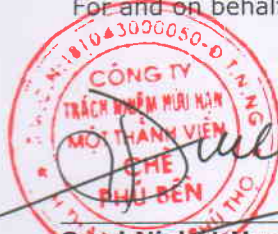
The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting 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,



**Syed Nishat Hussain**  
General Director

Phu Tho, 15 March 2019

No.: *045* /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 15 March 2019 as set out from page 04 to page 22, which comprise the balance sheet as at 31 December 2018, 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.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, 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.

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## INDEPENDENT AUDITORS' REPORT (Continued)

### Emphasis of Matter

We draw attention to Note 2 of the Notes to the financial statements, the Company operated at a loss in the financial year ended 31 December 2018 and had accumulated losses as at 31 December 2018 of VND 269,667,735,853 (as at 31 December 2017: VND 216,564,615,411). In addition, the Company's current liabilities exceeded its current assets by VND 14,031,281,714 and negative cash flow from operating activities of VND 18,156,415,996. The plan of the Board of Directors relating to payment of maturing liabilities is presented in Note 2 of the Notes to the financial statements.

Our opinion is not modified in respect of this matter.



**Vu Duc Nguyen**

**Deputy General Director**

Audit Practising Registration Certificate

No. 0764-2018-001-1

**DELOITTE VIETNAM COMPANY LIMITED**

15 March 2019

Hanoi, S.R. Vietnam

**Phan Ngoc Anh**

**Auditor**

Audit Practising Registration Certificate

No. 1101-2018-001-1

**BALANCE SHEET**

As at 31 December 2018

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>214,108,472,398</b>	<b>183,150,194,581</b>
<b>I. Cash</b>	<b>110</b>	<b>4</b>	<b>831,669,008</b>	<b>1,580,401,960</b>
1. Cash	111		831,669,008	1,580,401,960
<b>II. Short-term receivables</b>	<b>130</b>		<b>25,546,718,008</b>	<b>23,471,335,942</b>
1. Short-term trade receivables	131	5	17,526,742,594	22,549,351,024
2. Short-term advances to suppliers	132	6	4,751,921,422	-
3. Other short-term receivables	136		3,268,053,992	921,984,918
<b>III. Inventories</b>	<b>140</b>	<b>7</b>	<b>186,874,021,917</b>	<b>157,274,142,198</b>
1. Inventories	141		186,874,021,917	157,274,142,198
<b>IV. Other short-term assets</b>	<b>150</b>		<b>856,063,465</b>	<b>824,314,481</b>
1. Value added tax deductibles	152		431,326,915	225,246,009
2. Taxes and other receivables from the State budget	153	11	424,736,550	599,068,472
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>225,933,408,361</b>	<b>238,659,399,703</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>375,752,384</b>	<b>526,940,842</b>
1. Other long-term receivables	216		375,752,384	526,940,842
<b>II. Fixed assets</b>	<b>220</b>		<b>219,057,479,580</b>	<b>230,119,298,868</b>
1. Tangible fixed assets	221	8	218,957,031,221	229,939,489,512
- Cost	222		401,973,920,190	395,300,391,421
- Accumulated depreciation	223		(183,016,888,969)	(165,360,901,909)
2. Intangible assets	227		100,448,359	179,809,356
- Cost	228		775,629,996	736,413,996
- Accumulated amortisation	229		(675,181,637)	(556,604,640)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>4,073,991,797</b>	<b>4,150,669,206</b>
1. Long-term construction in progress	242	9	4,073,991,797	4,150,669,206
<b>IV. Other long-term assets</b>	<b>260</b>		<b>2,426,184,600</b>	<b>3,862,490,787</b>
1. Long-term prepayments	261		2,426,184,600	3,862,490,787
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>440,041,880,759</b>	<b>421,809,594,284</b>

The accompanying notes are an integral part of these financial statements



**BALANCE SHEET (Continued)**

As at 31 December 2018

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>312,965,754,112</b>	<b>451,141,347,195</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>228,139,754,112</b>	<b>173,652,347,195</b>
1. Short-term trade payables	311	10	24,752,116,583	3,954,208,559
2. Taxes and amounts payable to the State budget	313	11	3,950,321,959	3,003,630,385
3. Payables to employees	314		2,450,916,585	3,137,194,703
4. Short-term accrued expenses	315	12	79,162,332,898	57,900,854,570
5. Other current payables	319		2,403,575,257	4,173,588,662
6. Short-term loans and obligations under finance leases	320	13	115,420,490,830	101,482,870,316
<b>II. Long-term liabilities</b>	<b>330</b>		<b>84,826,000,000</b>	<b>277,489,000,000</b>
1. Long-term loans and obligations under finance leases	338	14	84,826,000,000	277,489,000,000
<b>D. EQUITY</b>	<b>400</b>		<b>127,076,126,647</b>	<b>(29,331,752,911)</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>15</b>	<b>127,076,126,647</b>	<b>(29,331,752,911)</b>
1. Owner's contributed capital	411		396,743,862,500	187,232,862,500
2. Accumulated losses	421		(269,667,735,853)	(216,564,615,411)
- (Losses) accumulated to the prior year end	421a		(216,564,615,411)	(167,965,205,215)
- (Losses) of the current year	421b		(53,103,120,442)	(48,599,410,196)
<b>TOTAL RESOURCES</b> <b>(440=300+400)</b>	<b>440</b>		<b>440,041,880,759</b>	<b>421,809,594,284</b>

**Nguyen Thi Nam Thuong**  
 Preparer/Chief Accountant

15 March 2019



**INCOME STATEMENT**

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>	<b>17</b>	<b>256,507,521,316</b>	<b>242,591,170,134</b>
2. Cost of sales	11		246,439,095,481	234,972,072,562
<b>3. Gross profit from goods sold and services rendered (20=01-11)</b>	<b>20</b>		<b>10,068,425,835</b>	<b>7,619,097,572</b>
4. Financial income	21		864,252,922	1,893,088,765
5. Financial expenses	22	19	32,858,554,159	23,829,165,942
- In which: Interest expense	23		22,625,928,909	22,456,292,131
6. Selling expenses	25	20	13,946,162,814	15,874,435,650
7. General and administration expenses	26	20	17,632,865,421	18,677,820,967
<b>8. Operating losses (30=20+(21-22)-(25+26))</b>	<b>30</b>		<b>(53,504,903,637)</b>	<b>(48,869,236,222)</b>
9. Other income	31		1,677,112,427	1,545,155,375
10. Other expenses	32		1,275,329,232	1,275,329,349
<b>11. Profit from other activities (40=31-32)</b>	<b>40</b>		<b>401,783,195</b>	<b>269,826,026</b>
<b>12. Accounting loss before tax (50=30+40)</b>	<b>50</b>		<b>(53,103,120,442)</b>	<b>(48,599,410,196)</b>
13. Current corporate income tax expense	51	21	-	-
<b>14. Net losses after corporate income tax (60=50-51)</b>	<b>60</b>		<b>(53,103,120,442)</b>	<b>(48,599,410,196)</b>



Nguyen Thi Nam Thuong  
 Preparer/Chief Accountant

15 March 2019



Syed Nishat Hussain  
 General Director

The accompanying notes are an integral part of these financial statements



**CASH FLOW STATEMENT**

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Losses before tax</b>	<b>01</b>	<b>(53,103,120,442)</b>	<b>(48,599,410,196)</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation of fixed assets	02	17,774,564,057	18,063,776,178
Foreign exchange loss/(gain) arising from translating foreign currency items	04	8,010,206,186	(188,436,654)
Gain from investing activities	05	(10,583,440)	(3,527,709)
Interest expense	06	22,625,928,909	22,456,292,131
<b>3. Operating losses before movements in working capital</b>	<b>08</b>	<b>(4,703,004,730)</b>	<b>(8,271,306,250)</b>
(Increase)/decrease in receivables	09	(1,955,942,592)	22,594,333,483
Increases in inventories	10	(29,599,879,719)	(10,595,375,302)
Increases in payables (excluding accrued loan interest and corporate income tax payable)	11	19,746,730,778	5,349,704,055
Decrease/(increase) in prepaid expenses	12	1,436,306,187	(1,361,588,192)
Interest paid	14	(3,080,625,920)	(2,175,570,194)
<b>Net cash (used in)/generated by operating activities</b>	<b>20</b>	<b>(18,156,415,996)</b>	<b>5,540,197,600</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(6,636,067,360)	(1,034,324,067)
2. Interest earned, dividends and profits received	27	10,583,440	3,527,709
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(6,625,483,920)</b>	<b>(1,030,796,358)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	198,789,123,604	150,123,964,046
2. Repayment of borrowings	34	(174,750,094,659)	(153,573,453,775)
<b>Net cash generated by/(used in) financing activities</b>	<b>40</b>	<b>24,039,028,945</b>	<b>(3,449,489,729)</b>
<b>Net (decrease)/increase in cash (50=20+30+40)</b>	<b>50</b>	<b>(742,870,971)</b>	<b>1,059,911,513</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>1,580,401,960</b>	<b>559,137,848</b>
Effects of changes in foreign exchange rates	61	(5,861,981)	(38,647,401)
<b>Cash and cash equivalents at the end of the year (70=50+60+61)</b>	<b>70</b>	<b>831,669,008</b>	<b>1,580,401,960</b>

  
**Nguyen Thi Nam Thuong**  
Preparer/Chief Accountant

15 March 2019



  
**Syed Nishat Hussain**  
General Director

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) in 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 7<sup>th</sup> amendment of Investment Certificate No. 181 043 000 050 issued by Phu Tho Province People's Committee 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 2018 was 1,932 (31 December 2017: 1,793).

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 2017.

**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.

As at 31 December 2018, the Company's current liabilities exceeded current assets with the amount of VND 14,031,281,714. During the year, the holding Company converted loan of USD 9,000,000 into equity, therefore, the owner's equity became positive in the amount of VND 127,076,126,647 (31 December 2017: negative in the amount of VND 29,331,752,911). The Company incurred losses of VND 53,103,120,442 in the financial year ended 31 December 2018 (loss of VND 48,599,410,196 in the financial year ended 31 December 2017). Accumulated loss as of 31 December 2018 was VND 269,667,735,853 (as of 31 December 2017: VND 216,564,615,411). In addition, the cash flow from operating activities in the financial year ended 31 December 2018 of the Company is negative in the amount of VND 18,156,415,996. The Board of Directors have made evaluation and proposed several solutions to ensure its ability to pay maturing liabilities including: negotiating with commercial banks to enter new agreements or renew the existing ones, generating higher selling price/cash flows from sales of products, reducing cost of production/cost of sales, as well as achieving the commitments from its parent company to continue providing financial supports when needed. The Board of Directors believed that under the aforementioned plans, the Company shall be able to generate sufficient cash flows to support its own operations and payment of maturing liabilities. Therefore, the Board of Directors assessed that it is appropriate to prepare the financial statements on a going concern basis.

**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.

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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 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:

	<u>Current year</u> <u>Years</u>
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.



**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

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Cash on hand	40,956,828	233,417,048
Bank demand deposits	790,712,180	1,346,984,912
	<b><u>831,669,008</u></b>	<b><u>1,580,401,960</u></b>

5. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Unilever Asia Private Limited Company	6,944,351,800	9,319,456,745
PT Sariwangi AEA (*)	4,280,360,920	4,150,933,160
Classic Tea Limited	3,845,864,389	-
Orimi Trade Jsc	2,396,233,350	6,871,443,338
Others	59,932,135	2,207,517,781
	<b><u>17,526,742,594</u></b>	<b><u>22,549,351,024</u></b>

(\*) Trade receivable from PT Sariwangi AEA incurred and overdue since 2015. During the year 2016, the customer renewed the term of payment into year 2016, 2017 and 2018, therefore, an amount of VND 1,245,279,948 was presented as the long-term trade receivable as at 31 December 2016. However, as at 31 December 2018, the Company has not yet collected any receivable from this customer. The Board of Directors assessed and believed that the Company would successfully collect this receivable and hence did not make any provision.

6. SHORT-TERM ADVANCES TO SUPPLIERS

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Tea farms	3,583,078,077	-
Mr. Hoang Van Hoan	957,761,800	-
Others	211,081,545	-
	<b><u>4,751,921,422</u></b>	<b><u>-</u></b>

7. INVENTORIES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Raw materials (*)	4,605,167,365	4,876,356,361
Tools and supplies	285,014,536	322,692,968
Work in progress	26,652,526,760	11,000,735,827
Finished goods	155,331,313,256	141,074,357,042
	<b><u>186,874,021,917</u></b>	<b><u>157,274,142,198</u></b>

(\*) Raw materials mainly include the value of sub-materials to serve operations such as tea packaging material, fertilizer, pesticide.

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8. 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
<b>COST</b>						
Opening balance	167,546,180,685	169,970,088,931	40,435,534,245	7,090,382,703	10,258,204,857	395,300,391,421
Transfer from construction in progress	-	6,231,590,769	441,938,000	-	-	6,673,528,769
<b>Closing balance</b>	<b>167,546,180,685</b>	<b>176,201,679,700</b>	<b>40,877,472,245</b>	<b>7,090,382,703</b>	<b>10,258,204,857</b>	<b>401,973,920,190</b>
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	41,752,353,097	98,372,648,994	11,950,651,785	6,781,565,119	6,503,682,914	165,360,901,909
Charge for the year	5,214,780,465	10,181,177,018	1,196,219,568	281,135,318	782,674,691	17,655,987,060
<b>Closing balance</b>	<b>46,967,133,562</b>	<b>108,553,826,012</b>	<b>13,146,871,353</b>	<b>7,062,700,437</b>	<b>7,286,357,605</b>	<b>183,016,888,969</b>
<b>NET BOOK VALUE</b>						
Opening balance	125,793,827,588	71,597,439,937	28,484,882,460	308,817,584	3,754,521,943	229,939,489,512
Closing balance	120,579,047,123	67,647,853,688	27,730,600,892	27,682,266	2,971,847,252	218,957,031,221

As at 31 December 2018, the cost of the Company's tangible fixed assets includes VND 61,758,162,496 (31 December 2017: VND 54,476,782,102) of assets which have been fully depreciated but are still in use.

As presented in Note 13, the Company has pledged its buildings, machinery and equipment with a carrying value of VND 132,577,932,775 as at 31 December 2018 (31 December 2017: VND 127,564,581,554), to secure banking facilities granted to the Company.

9. LONG-TERM CONSTRUCTION IN PROGRESS

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Cost of new tea plantation	3,874,629,556	4,150,669,206
Machinery under installation	199,362,241	-
	<u>4,073,991,797</u>	<u>4,150,669,206</u>

10. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u> VND		<u>Opening balance</u> VND	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
Purchasing teams in farms	15,376,710,544	15,376,710,544	-	-
The Phong Trading and Services Co., Ltd.	2,339,389,056	2,339,389,056	1,045,530,283	1,045,530,283
Que Lam Phuong Bac Co., Ltd.	2,385,962,076	2,385,962,076	-	-
Than Yen JSC	246,461,235	246,461,235	246,461,235	246,461,235
McLeod Russel India Ltd.	91,215,998	91,215,998	595,596,238	595,596,238
Other suppliers	4,312,377,674	4,312,377,674	2,066,620,803	2,066,620,803
	<u>24,752,116,583</u>	<u>24,752,116,583</u>	<u>3,954,208,559</u>	<u>3,954,208,559</u>
<b>In which:</b>				
Trade payables to related parties (Details stated in Note 23)	91,215,998	91,215,998	595,596,238	595,596,238

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

	<u>Opening balance</u> VND	<u>Payable/ Receivable during the year</u> VND	<u>Paid/Received during the year</u> VND	<u>Closing balance</u> VND
Value added tax	(599,068,472)	899,169,144	724,232,153	(424,131,481)
Import duty	-	231,939,920	232,544,989	(605,069)
Land rentals	-	875,716,213	875,716,213	-
Personal income tax	96,731,924	625,618,363	619,229,596	103,120,691
Withholding tax	2,906,898,461	1,051,472,307	111,169,500	3,847,201,268
	<b><u>2,404,561,913</u></b>	<b><u>3,683,915,947</u></b>	<b><u>2,562,892,451</u></b>	<b><u>3,525,585,409</u></b>
In which:				
- Taxes and amounts payable to the State budget	3,003,630,385			3,950,321,959
- Taxes and other receivables from the State budget	(599,068,472)			(424,736,550)

**12. SHORT-TERM ACCRUED EXPENSES**

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Interest expense	71,138,581,624	51,362,322,406
Royalty fee	4,622,965,743	3,858,493,704
Selling expenses	1,742,334,091	1,335,626,343
Technical assistance fee	1,080,339,996	1,080,387,500
Others	578,111,444	264,024,617
	<b><u>79,162,332,898</u></b>	<b><u>57,900,854,570</u></b>





13. SHORT-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

	Opening balance		In the year		Closing balance	
	Amount	VND Amount able to be paid off	Increases	VND 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)	90,110,370,316 85,539,176,056	90,110,370,316 85,539,176,056	198,898,215,173 150,172,057,868	174,750,094,659 157,746,536,459	114,258,490,830 77,964,697,465	114,258,490,830 77,964,697,465
- Military Commercial Joint Stock Bank - Viet Tri Branch (ii)	4,571,194,260	4,571,194,260	36,808,685,305	17,003,558,200	24,376,321,365	24,376,321,365
- Vietnam Prosperity Joint Stock Commercial Bank - Den Hung branch (iii)	-	-	11,917,472,000	-	11,917,472,000	11,917,472,000
Current portion of long-term loans (see Note 14)	11,372,500,000	11,372,500,000	1,162,000,000	11,372,500,000	1,162,000,000	1,162,000,000
	<b>101,482,870,316</b>	<b>101,482,870,316</b>	<b>200,060,215,173</b>	<b>186,122,594,659</b>	<b>115,420,490,830</b>	<b>115,420,490,830</b>

(i) 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%/p.a. for USD and 9.5%/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 8).

(ii) 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 of 3.2%/p.a. for USD and 9.5%/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 8).



- (iii) 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 8).

14. 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
<b>Long-term loans</b>						
Borelli Tea Holdings Limited (i)	288,861,500,000	288,861,500,000	6,637,500,000	209,511,000,000	85,988,000,000	85,988,000,000
	<b>288,861,500,000</b>	<b>288,861,500,000</b>	<b>6,637,500,000</b>	<b>209,511,000,000</b>	<b>85,988,000,000</b>	<b>85,988,000,000</b>
<b>In which:</b>						
- Amount due for settlement within 12 months	11,372,500,000	11,372,500,000			1,162,000,000	1,162,000,000
- Amount due for settlement after 12 months	277,489,000,000	277,489,000,000			84,826,000,000	84,826,000,000

- (i) An unsecured long-term loan from Borelli Tea Holdings Limited with total amount of USD 3,700,000 as at 31 December 2018 (as at 31 December 2017: USD 12,700,000) 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> VND	<u>Opening balance</u> VND
On demand or within one year	1,162,000,000	11,372,500,000
In the second year	-	13,647,000,000
In the third to fifth year inclusive	-	70,509,500,000
After five years	84,826,000,000	193,332,500,000
	<u>85,988,000,000</u>	<u>288,861,500,000</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	1,162,000,000	11,372,500,000
<b>Amount due for settlement after 12 months</b>	<u><b>84,826,000,000</b></u>	<u><b>277,489,000,000</b></u>

15. OWNER'S EQUITY

Movement in owner's equity

	<u>Owner's contributed capital</u> VND	<u>Accumulated (losses)</u> VND	<u>Total</u> VND
Prior year's opening balance	187,232,862,500	(167,965,205,215)	19,267,657,285
Loss for the year	-	(48,599,410,196)	(48,599,410,196)
Current year's opening balance	187,232,862,500	(216,564,615,411)	(29,331,752,911)
Conversion of loan to capital contribution (*)	209,511,000,000	-	209,511,000,000
Loss for the year	-	(53,103,120,442)	(53,103,120,442)
Current year's closing balance	<u>396,743,862,500</u>	<u>(269,667,735,853)</u>	<u>127,076,126,647</u>

(\*) On 07 December 2018, Borelli Tea Holdings Ltd. decided to convert a portion of long-term loan with the value of USD 9,000,000 into owner's contributed capital.

Investment capital and charter capital

According to the Company's amended Investment Certificate, the Company's investment capital and charter capital are USD 30,011,000 and USD 11,250,000, respectively. As at 31 December 2018, the Company's charter capital was contributed by the owner as follows:

	<u>Per amended Investment Certificate</u> USD	<u>Contributed capital</u>	
		<u>Closing balance</u> VND equivalent	<u>Opening balance</u> VND equivalent
Borelli Tea Holdings Ltd.	11,250,000	396,743,862,500	187,232,862,500
	<u>11,250,000</u>	<u>396,743,862,500</u>	<u>187,232,862,500</u>

As at 31 December 2018, the owner's contributed capital is USD 20,250,000. The Company is in the process of changing its Investment Certificate to update information regarding the Company's charter capital.

16. 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)	17,554	41,387

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17. REVENUE FROM GOODS SOLD

	<u>Current year</u> VND	<u>Prior year</u> VND
Exported sales	247,964,563,816	228,214,477,635
Domestic sales	8,542,957,500	14,376,692,499
	<u><b>256,507,521,316</b></u>	<u><b>242,591,170,134</b></u>

18. PRODUCTION COST BY NATURE

	<u>Current year</u> VND	<u>Prior year</u> VND
Raw materials and consumables	196,527,150,111	173,242,926,470
Labour	47,364,161,047	44,816,659,630
Depreciation and amortisation	17,774,564,053	18,063,776,178
Out-sourced services	26,397,127,503	24,999,616,967
Other monetary expenses	21,139,197,381	18,415,793,194
	<u><b>309,202,200,095</b></u>	<u><b>279,538,772,439</b></u>

19. FINANCIAL EXPENSES

	<u>Current year</u> VND	<u>Prior year</u> VND
Interest expense	22,625,928,909	22,456,292,131
Foreign exchange translation loss on revaluation of monetary items	3,555,206,186	267,894,858
Foreign exchange translation loss on conversion of long-term loan to owner's equity	4,455,000,000	-
Realized foreign exchange loss	2,222,419,064	1,104,978,953
	<u><b>32,858,554,159</b></u>	<u><b>23,829,165,942</b></u>

20. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	<u>Current year</u> VND	<u>Prior year</u> VND
<b>Selling expenses</b>		
Labour costs	502,424,534	390,303,659
Tools supplies and allocations	916,537,334	469,392,202
Out-sourced services	7,805,995,793	9,820,261,606
Other monetary expenses	4,721,205,153	5,194,478,183
	<u><b>13,946,162,814</b></u>	<u><b>15,874,435,650</b></u>
<b>General and administration expenses</b>		
Labour costs	5,641,695,618	6,101,941,927
Tools supplies and allocations	794,451,215	1,661,837,863
Depreciation and amortization expenses	1,443,618,331	1,690,000,701
Other monetary expenses	9,753,100,257	9,224,040,476
	<u><b>17,632,865,421</b></u>	<u><b>18,677,820,967</b></u>

21. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
<b>(Losses) before tax</b>	<b>(53,103,120,442)</b>	<b>(48,599,410,196)</b>
Adjustments for taxable profit		
Less: non-taxable income	-	-
Add back: non-deductible expenses	-	-
Loss carry-forward	-	-
<b>Taxable profit</b>	<b>(53,103,120,442)</b>	<b>(48,599,410,196)</b>
Tax rate	10% and 20%	10% and 20%
<b>Corporate income tax expense based on taxable profit in the current year</b>	<b>-</b>	<b>-</b>

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 2018, the Company has 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.

22. 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 commitment which falls due as follows:

	Closing balance VND	Opening balance VND
Within one year	875,716,213	857,762,190
In the second to fifth year inclusive	3,502,864,852	3,431,048,760
After five years	19,265,756,686	19,728,530,370
	<b>23,644,337,751</b>	<b>24,017,341,320</b>

23. 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
<b>McLeod Russel India Ltd.</b>		
Technical assistance fee	1,080,339,996	1,137,250,000
<b>McLeod Russel Middle East Ltd.</b>		
Sales	172,374,840	9,500,485,769
<b>Borelli Tea Holdings Ltd.</b>		
Interest expense	19,551,578,987	19,262,905,804
Royalty fee	738,088,071	2,282,144,779
Conversion of loan to capital contribution	209,511,000,000	-
Principal paid in the year	-	11,295,000,000
<b>Board of Directors' remuneration</b>		
Board of Directors' remuneration	1,273,308,855	1,272,029,354

*Significant related party balances as at the balance sheet date were as follows:*

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<b>McLeod Russel India Ltd.</b>		
Technical assistance fee payable	1,080,339,996	1,080,387,500
Software-licenses fee payable	91,215,998	595,596,238
<b>Borelli Tea Holdings Ltd.</b>		
Long-term loans	84,826,000,000	277,489,000,000
Current portion of long-term loans	1,162,000,000	11,372,500,000
Royalty payable	4,622,965,743	3,858,493,704
Interest payable	71,138,581,624	51,309,170,841

**24. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

**Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND 957,761,800 representing an advance to purchase fixed assets and constructions in progress during the year (2017: VND 957,761,800) but have not been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

  
**Nguyen Thi Nam Thuong**  
**Preparer/Chief Accountant**

15 March 2019

  
**Syed Nishat Hussain**  
**General Director**