



**Minh Phu Seafood Joint Stock Company
and its subsidiaries**

Consolidated financial statements for
the year ended 31 December 2018



Minh Phu Seafood Joint Stock Company Corporate Information

Business Registration Certificate	6103000072	12 May 2006
	6103000072 (1 st amendment)	25 May 2007
	6103000072 (2 nd amendment)	12 November 2007
	2000393273	23 June 2010
	2000393273 (1 st amendment)	15 October 2014
	2000393273 (2 nd amendment)	15 December 2015
	2000393273 (3 rd amendment)	21 November 2018

The Business Registration Certificate and its updates were issued by the Planning and Investment Department of Ca Mau Province.

Board of Management	Mr. Le Van Quang	Chairman
	Ms. Chu Thi Binh	Vice Chairwoman
	Mr. Chu Van An	Member
	Mr. Le Van Diep	Member
	Mr. Le Ngoc Anh	Member
	Ms. Le Thi Diu Minh	Member
	Mr. Phan Thanh Loc	Member (from 9 March 2018)
	Ms. Ho Thu Le	Member (from 9 March 2018)
Mr. Bui Anh Dung	Member (from 10 November 2018)	

Board of Directors	Mr. Le Van Quang	General Director
	Ms. Chu Thi Binh	Deputy General Director
	Mr. Chu Van An	Deputy General Director
	Mr. Thai Hoang Hung	Deputy General Director
	Mr. Le Van Diep	Deputy General Director
	Mr. Bui Anh Dung	Deputy General Director
	Mr. Le Ngoc Anh	Deputy General Director
	Ms. Le Thi Diu Minh	Deputy General Director
	Mr. Chu Hong Ha	Deputy General Director (from 1 January 2018)

Supervisory Board	Mr. Tran Van Khanh	Head of Supervisory Board
	Ms. Nguyen Thi Hong Cuc	Member
	Ms. Do Thi Hanh	Member

Registered Office	Ward 8 Industrial Zone Ca Mau City, Ca Mau Province Vietnam
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Auditor	KPMG Limited Vietnam
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Minh Phu Seafood Joint Stock Company **Statement of the Board of Directors**

The Board of Directors of Minh Phu Seafood Joint Stock Company (“the Company”) presents this statement and the accompanying consolidated financial statements of the Company and its subsidiaries (together referred to as “the Group”) for the year ended 31 December 2018.

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

- (a) the consolidated financial statements set out on pages 5 to 65 give a true and fair view of the consolidated financial position the Group as at 31 December 2018, and of its consolidated results of operation and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised the accompanying consolidated financial statements for issue.

On behalf of the Board of Directors



Lu Van Diep
Deputy General Director

Ca Mau Province, 18 March 2019



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INDEPENDENT AUDITOR’S REPORT

To the Shareholders Minh Phu Seafood Joint Stock Company

We have audited the accompanying consolidated financial statements of Minh Phu Seafood Joint Stock Company (“the Company”) and its subsidiaries (together referred to as “the Group”), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statements of income and consolidated cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of Directors on 18 March 2019, as set out on pages 5 to 65.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2018

Form B 01 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2018 VND	1/1/2018 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		7,623,218,395,754	8,031,892,276,387
Cash and cash equivalents	110	5	447,689,429,005	1,785,115,577,774
Cash	111		141,789,429,005	180,524,327,774
Cash equivalents	112		305,900,000,000	1,604,591,250,000
Short-term financial investments	120		516,489,672,005	231,236,106,650
Trading securities	121	6(a)	8,807,389,411	14,811,109,411
Allowance for diminution in the value of trading securities	122	6(a)	(5,580,753,017)	(8,613,935,111)
Held-to-maturity investments	123	6(b)	513,263,035,611	225,038,932,350
Accounts receivable – short-term	130		1,905,808,210,494	1,913,341,914,340
Accounts receivable from customers	131	7	1,725,504,056,163	1,797,225,655,844
Prepayments to suppliers	132		97,964,111,771	37,016,652,116
Loans receivable	135	8	44,000,000,000	44,000,000,000
Other short-term receivables	136	9(a)	40,303,582,097	37,063,145,917
Allowance for doubtful debts	137	10	(1,963,539,537)	(1,963,539,537)
Inventories	140	11	4,674,283,048,337	4,073,199,229,344
Inventories	141		4,720,601,738,158	4,101,475,749,558
Allowance for inventories	149		(46,318,689,821)	(28,276,520,214)
Other current assets	150		78,948,035,913	28,999,448,279
Short-term prepaid expenses	151	15(a)	4,087,489,793	2,973,095,406
Deductible value added tax	152	18(b)	61,604,678,408	16,782,851,990
Taxes receivable from State Treasury	153	18(c)	13,255,867,712	9,243,500,883

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2018 (continued)

Form B 01 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2018 VND	1/1/2018 VND
Long-term assets (200 = 210 + 220 + 240 + 250 + 260)	200		1,469,296,659,407	1,478,394,377,372
Accounts receivable – long-term	210		7,306,508,578	14,605,161,928
Other long-term receivables	216	9(b)	7,306,508,578	14,605,161,928
Fixed assets	220		1,039,767,663,832	978,811,612,445
Tangible fixed assets	221	12	887,046,730,189	919,358,028,497
Cost	222		2,226,394,037,672	2,087,248,831,678
Accumulated depreciation	223		(1,339,347,307,483)	(1,167,890,803,181)
Intangible fixed assets	227	13	152,720,933,643	59,453,583,948
Cost	228		169,382,338,828	71,253,107,385
Accumulated amortisation	229		(16,661,405,185)	(11,799,523,437)
Long-term work in progress	240		171,646,117,933	157,518,936,138
Construction in progress	242	14	171,646,117,933	157,518,936,138
Long-term financial investments	250		124,971,458,621	121,167,019,076
Investments in associates	252	6(c)	107,971,458,621	101,667,019,076
Equity investments in other entities	253	6(c)	7,000,000,000	7,000,000,000
Held-to-maturity investments	255	6(b)	10,000,000,000	12,500,000,000
Other long-term assets	260		125,604,910,443	206,291,647,785
Long-term prepaid expenses	261	15(b)	108,566,128,898	174,659,711,634
Deferred tax assets	262	16	17,038,781,545	30,344,896,465
Goodwill	269	17	-	1,287,039,686
TOTAL ASSETS (270 = 100 + 200)	270		9,092,515,055,161	9,510,286,653,759

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

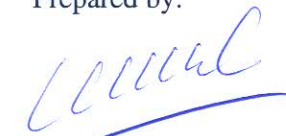
Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated balance sheet as at 31 December 2018 (continued)

Form B 01 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2018 VND	1/1/2018 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		5,367,904,149,095	6,518,661,625,096
Current liabilities	310		4,119,261,773,165	4,411,280,651,253
Accounts payable to suppliers	311		412,563,976,912	656,213,732,042
Advances from customers	312		74,376,259,833	20,156,483,977
Taxes payable to State Treasury	313	18(a)	28,760,736,215	33,539,904,002
Payables to employees	314		107,161,940,966	88,722,496,835
Accrued expenses	315		781,085,147	944,624,935
Other payables – short-term	319	20(a)	59,221,024,130	76,110,288,683
Short-term borrowings	320	21(a)	3,377,225,991,304	3,475,843,624,232
Bonus and welfare fund	322	22	59,170,758,658	59,749,496,547
Long-term liabilities	330		1,248,642,375,930	2,107,380,973,843
Long-term unearned revenue	336	19	36,956,212,257	37,736,977,305
Other payables – long-term	337	20(b)	1,896,856,000	6,836,856,000
Bonds	338	21(b)	1,190,166,666,695	2,042,916,666,687
Deferred tax liabilities	341	16	19,622,640,978	19,890,473,851
EQUITY (400 = 410)	400		3,724,610,906,066	2,991,625,028,663
Owners' equity	410	23	3,724,610,906,066	2,991,625,028,663
Share capital	411	24	1,400,000,000,000	700,000,000,000
Capital surplus	412	23	-	177,876,869,236
Treasury shares	415	23	(80,162,090,861)	(80,162,090,861)
Foreign exchange differences	417	23	135,680,972,288	125,543,277,919
Investment and development fund	418	25	166,417,831,058	54,374,900,005
Retained profits	421		1,506,571,790,753	1,452,263,283,294
Non-controlling interest	429		596,102,402,828	561,728,789,070
TOTAL RESOURCES (440 = 300 + 400)	440		9,092,515,055,161	9,510,286,653,759

18 March 2019

Prepared by:



Lưu Minh Trung
Chief Accountant

Approved by:



Lê Văn Diệp
Deputy General Director

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of income for the year ended 31 December 2018

Form B 02 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2018 VND	2017 VND
Revenue from sales of goods	01	27	17,023,022,230,199	15,767,101,730,018
Revenue deductions	02	27	97,673,316,315	101,816,730,781
Net revenue (10 = 01 - 02)	10	27	16,925,348,913,884	15,665,284,999,237
Cost of sales	11	28	14,727,841,756,542	13,801,135,627,286
Gross profit (20 = 10 - 11)	20		2,197,507,157,342	1,864,149,371,951
Financial income	21	29	129,506,135,625	142,113,369,593
Financial expenses	22	30	337,482,864,690	280,049,253,163
<i>In which: Interest expense</i>	23		<i>202,985,806,197</i>	<i>180,875,770,671</i>
Share of profits/(losses) in associates	24		6,304,439,545	(232,980,924)
Selling expenses	25	31	907,110,763,690	772,186,424,083
General and administration expenses	26	32	186,422,309,569	161,850,564,772
Net operating profit (30 = 20 + 21 - 22 + 24 - 25 - 26)	30		902,301,794,563	791,943,518,602
Other income	31	33	3,240,963,824	3,624,897,650
Other expenses	32	34	3,522,995,083	3,368,196,325
Results of other activities (40 = 31 - 32)	40		(282,031,259)	256,701,325
Accounting profit before tax (50 = 30 + 40)	50		902,019,763,304	792,200,219,927
Income tax expense – current	51	36	78,606,702,608	79,211,363,515
Income tax expense/(benefit) – deferred	52	36	13,038,282,047	(1,174,218,042)
Net profit after tax (carried forward to next page) (60 = 50 - 51 - 52)	60		810,374,778,649	714,163,074,454

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

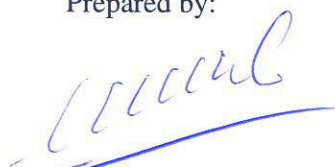
Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of income for the year ended 31 December 2018 (continued)

Form B 02 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2018 VND	2017 VND
Net profit after tax (brought forward from previous page) (60 = 50 - 51 - 52)	60		810,374,778,649	714,163,074,454
Attributable to:				
Equity holders of the Company	61		702,856,553,747	639,019,613,866
Non-controlling interest	62		107,518,224,902	75,143,460,588
Basic earnings per share	70	37	4,936	4,627

18 March 2019

Prepared by:



Luu Minh Trung
Chief Accountant

Approved by:




Le Van Diep
Deputy General Director

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2018
(Indirect method)

Form B 03 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Accounting profit before tax	01		902,019,763,304	792,200,219,927
Adjustments for				
Depreciation and amortisation	02		178,172,560,834	165,302,178,984
Allowances and provisions	03		17,583,565,513	(707,991,767)
Exchange gains arising from revaluation of monetary items denominated in foreign currencies	04		(10,466,844,276)	(2,915,618,988)
Gains on disposals of fixed assets	05	33,34	(100,000,000)	(87,814,406)
Dividend income and interest income	05		(77,773,576,440)	(92,186,176,242)
Gains on revaluation of assets transferred to an associate as capital contribution	05	33	(780,765,048)	(1,301,275,080)
Share of (profits)/losses in associates			(6,304,439,545)	232,980,924
Interest expense and bond issuance costs	06		214,235,806,205	187,875,770,679
Operating profit before changes in working capital	08		1,216,586,070,547	1,048,412,274,031
Change in receivables	09		(27,817,331,002)	(564,704,413,252)
Change in inventories	10		(575,960,141,611)	(856,766,130,859)
Change in payables and other liabilities	11		(214,978,972,709)	371,198,953,296
Change in prepaid expenses	12		(9,312,804,894)	5,832,079,947
			388,516,820,331	3,972,763,163
Interest paid	14		(218,841,265,955)	(189,420,314,330)
Corporate income tax paid	15		(88,639,118,658)	(36,756,729,716)
Other payments for operating activities	17		(14,967,510,027)	(6,567,654,209)
Net cash flows from operating activities	20		66,068,925,691	(228,771,935,092)

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the year ended 31 December 2018
(Indirect method – continued)

Form B 03 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2018 VND	2017 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(183,404,789,169)	(82,122,386,776)
Proceeds from disposals of fixed assets	22		100,000,000	427,272,727
Placements of term deposits	23		(889,913,223,611)	(209,805,066,560)
Collection from term deposits	24		609,300,000,000	465,600,000,000
Collection from loans to employees	24		1,055,683,357	1,643,478,552
Collection from loans	24		-	10,000,000,000
Payments for investments in bonds	25		(5,000,000,000)	(5,000,000,000)
Receipts of interest and dividends	27		78,747,104,862	89,622,331,949
Collection from sales of securities trading	27		3,233,142,000	-
Net cash flows from investing activities	30		(385,882,082,561)	270,365,629,892
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	33		14,252,329,702,013	15,336,837,302,041
Payments to settle loan principals and repurchase bonds	34		(15,198,888,065,744)	(15,121,605,870,913)
Payments of dividends	35		(74,390,775,000)	(5,020,368,405)
Net cash flows from financing activities	40		(1,020,949,138,731)	210,211,062,723
Net cash flows during the year (50 = 20 + 30 + 40)	50		(1,340,762,295,601)	251,804,757,523
Cash and cash equivalents at the beginning of the year	60		1,785,115,577,774	1,532,279,347,669
Effect of exchange rate fluctuations	61		3,336,146,832	1,031,472,582
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	5	447,689,429,005	1,785,115,577,774

18 March 2019

Prepared by:

Luu Minh Trung
 Luu Minh Trung
 Chief Accountant

Approved by:

Le Van Diep
 Le Van Diep
 Deputy General Director



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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018

Form B 09 – DN/HN

*(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

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

1. Reporting entity

(a) Ownership structure

Minh Phu Seafood Joint Stock Company (“the Company”) is incorporated as a joint stock company under Business Registration Certificate No. 2000393273 issued by Department of Planning and Investment of Ca Mau Province on 23 June 2010.

According to Decision No. 813/QĐ-SGDHN dated 27 September 2017, the Company was approved by Hanoi Stock Exchange to register its shares for trading on the Unlisted Public Company Market (“UPCoM”) with trading code as MPC.

The consolidated financial statements of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries, as listed in Note 1(d), (together referred to as “the Group”) and the Group’s interest in associates.

(b) Principal activities

The principal activities of the Group are to process and trade in aquatic products; to trade in aquatic breeds and aquatic foods; and to trade in machinery and equipment for aquaculture.

(c) Normal operating cycle

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

(d) Group structure

As at 31 December 2018, the Company had 14 subsidiaries (1/1/2018: 13 subsidiaries) as listed below:

Subsidiaries	Principal activity	% of economic interests	
		31/12/2018	1/1/2018
Mseafood Corporation	Trade in aquatic products.	90.00%	90.00%
Minh Phu Hau Giang Seafood Joint Stock Company	Process and trade in fish powder, aquatic products, bio-diesel fuel from fish oil; trade in goods, materials, machinery and equipment for aquaculture; invest and trade in infrastructure; conduct construction of civil and industrial works.	67.50%	67.50%
Minh Qui Seafood Co., Ltd.	Process and trade in aquatic products, import materials, machinery and equipment for aquaculture.	97.50%	97.50%

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

Form B 09 – DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

Subsidiaries	Principal activity	% of economic interests	
		31/12/2018	1/1/2018
Minh Phat Seafood Co., Ltd.	Process and trade in aquatic products, import materials, machinery and equipment for aquaculture.	95.00%	95.00%
Minh Phu - Kien Giang Seafood Co., Ltd. (*)	Breed aquaculture products; process, preserve aquatic products; produce aquatic breeds; trade in machinery and equipment for aquaculture.	99.10%	99.10%
Minh Phu Aquatic Larvae Co., Ltd.	Produce, supply and trade in aquatic breeds; process, preserve aquatic products; trade in food and materials for livestock, poultry and aquaculture.	98.50%	98.50%
Minh Phu - Loc An Aquaculture Co., Ltd. (*)	Breed aquaculture products; produce and trade in aquatic foods, trade in machinery and equipment for aquaculture.	100.00%	100.00%
Minh Phu Bio Co., Ltd.	Produce biological products and fertilizer for agriculture.	100.00%	100.00%
Minh Phu Seafood Supply Chain Co., Ltd.	Breed aquaculture products; process, preserve aquatic products; produce aquatic breeds; trade in machinery and equipment for aquaculture.	100.00%	100.00%
Ebisumo Logistic Co., Ltd.	Trade in aquatic products.	100.00%	100.00%
Minh Phu Food Co., Ltd. (*)	Trade in agricultural and forest products.	100.00%	100.00%
Minh Phu Hau Giang Port Corporation	Construct container terminal, petrol and gas terminal; trade in gas, petrol; trade in machinery and equipment for production	83.72%	83.72%
Minh Phu Mangrove Shrimp Social Enterprise (**)	Breed aquacultural products; produce and trade in aquatic foods, provide consulting service on breeding aquacultural products and processing aquatic products.	45.45%	45.45%
Minh Phu High-Tech Agriculture Joint Stock Company (***)	Process, preserve aquatic products and related to aquatic products.	60.00%	-

The percentage of economic interest represents the effective percentage of economic interest of the Company both directly and indirectly in the subsidiaries.

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

- (*) At the reporting date, the Company has not fully contributed capital to these subsidiaries.
- (**) The Company directly held 25.25% interest of Minh Phu Mangrove Shrimp Social Enterprise (“Minh Phu Mangrove”) and indirectly held 20.20% interest of this entity through its subsidiaries. Other shareholders of Minh Phu Mangrove, Mr. Le Van Quang and Ms. Le Thi Diu Minh held 39.40% and 15.15%, respectively, contributed capital of this entity.

The Company classified its investment in Minh Phu Mangrove as investment in a subsidiary because the other shareholders, Mr. Le Van Quang and Ms. Le Thi Diu Minh, delegated their voting powers to the Company.

At the reporting date, the authorised capital of Minh Phu Mangrove have not been fully contributed by shareholders.

- (***) The Company held 60% economic interest of Minh Phu High-Tech Agriculture Joint Stock Company. Other shareholders, Long Phung Investment Corporation and Ms. Le Thi Minh Phu, held 30% and 10%, respectively, contributed capital of this entity.

At the reporting date, the authorised capital of Minh Phu High-Tech Agriculture Joint Stock Company have not been fully contributed by shareholders.

Mseafood Corporation is incorporated in the State of California, USA. Ebisumo Logistic Co., Ltd. is incorporated in Japan. Other subsidiaries are incorporated in Vietnam.

As at 31 December 2018, the Company had 2 associates (1/1/2018: 2 associates) as described in Note 6(c).

As at 31 December 2018, the Group had 13,492 employees (1/1/2018: 12,745 employees).

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

(b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

(c) Annual accounting period

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

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

Form B 09 – DN/HN
*(Issued under Circular No. 202/2014/TT-BTC
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(d) Accounting and presentation currency

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

3. Summary of significant accounting policies

The accounting policies that have been adopted by the Group in the preparation of these consolidated financial statements are consistent with those adopted in the preparation of the latest annual consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Non-controlling interests

Non-controlling interests ("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 retained profits under equity.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary when control is lost is stated at the carrying amount of the retained investment in the separate financial statements of the Company adjusted for appropriate shares of changes in equity of the investee since the acquisition date, if significant influence in the investee is maintained, or otherwise stated at cost.

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(iv) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associates.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associates.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of the account transfer buying rate and selling rate at the end of the annual accounting period quoted by the commercial bank where the Company or its subsidiaries most frequently conducts transactions.

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to VND at exchange rates at the end of the annual accounting period. The income and expenses of foreign operations are translated to VND at exchange rates at the dates of transactions.

Foreign currency differences arising from the translation of foreign operations are recognised in the consolidated balance sheet under the "Foreign exchange differences" caption in equity.

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(c) Cash and cash equivalents

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

(d) Investments

(i) *Trading securities*

Trading securities are those held by the Group for trading purpose i.e. purchased for resale with the aim of making profits over a short period of time. Trading securities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at cost less allowance for diminution in value. An allowance is made for diminution in value of trading securities if market price of the securities item falls below its carrying amount. The allowance is reversed if the market price subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are those that the Group's management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank and bonds. These investments are stated at costs less allowance for diminution in value of investments.

(iii) *Investments in equity instruments of other entities*

Investments in equity instruments of other entities, which the Group has no control or significant influence, are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investment are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the Group's management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(e) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

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(f) Inventories

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

The Group applies the perpetual method of accounting for inventory.

(g) Tangible fixed assets

(i) Cost

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

(ii) Depreciation

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

▪ buildings	5 – 39 years
▪ machinery and equipment	4 – 15 years
▪ motor vehicles	5 – 15 years
▪ office equipment	3 – 15 years

(h) Intangible fixed assets

(i) Land use rights

Land use rights comprise those granted by the State for which land use payments are collected and those acquired in a legitimate transfer.

Land use rights with definite period of use are stated at cost less accumulated amortisation. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over 43 to 50 years.

Land use rights with indefinite period of use are stated at cost and not amortised.

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(ii) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over a period of 5 to 15 years.

(i) Construction in progress

Construction in progress represents the cost of construction, machinery and the related cost of acquiring land use rights which have not been fully completed or installed. No depreciation is provided for construction in progress during the year of construction, installation and obtaining the land use rights.

(j) Long-term prepaid expenses

(i) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals, including those for which the Group obtained land use rights certificate but are not qualified as intangible fixed assets under Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the consolidated statement of income on a straight-line basis over the term of the lease of 6 to 20 years.

(ii) Renovation costs

Renovation costs comprise replacement costs of factory's overground. These costs are amortised on a straight-line basis over 3 years.

(iii) Tools and instruments

Tools and instruments include assets held for use by the Company in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 2 to 3 years.

(k) Goodwill

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

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

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

(l) Trade and other payables

Trade and other payables are stated at their cost.

(m) Business cooperation contract involvement in the form of jointly controlled assets

Business co-operation contract (“BCC”) is a cooperation contract between two or more ventures (“BCC ventures”) in order to carry out specific business activities, but it does not require establishment of a new legal entity. Those activities are controlled in accordance with the terms of the BCC.

For BCC in the form of jointly controlled assets, jointly controlled asset under BCC is any asset which is purchased or constructed by BCC ventures for the purposes of the joint ventures and will generate future benefits to the BCC ventures in accordance with the terms of BCC contract. Ventures shall recognise their portions in the jointly controlled assets as an asset on their financial statements.

Each venture takes a share of the output from the assets and each bears an agreed share of the expenses incurred.

In respect of its interest in jointly controlled assets, each venture recognises in its financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities which it has incurred;
- its share of any liabilities incurred jointly with the other ventures in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses which it has incurred in respect of its interest in the joint venture.

(n) Provisions

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

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(o) Bonds issued

Straight bonds

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

(p) Share capital

(i) *Ordinary shares*

Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from capital surplus.

(ii) *Repurchase and reissue of ordinary shares (treasury shares)*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of tax effects, is recognised as a reduction from equity. When treasury shares are sold for reissue subsequently, cost of the reissued shares is determined on a weighted average basis. Any difference between the amount received and the cost of the shares reissued is presented within capital surplus.

(q) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantively enacted at the end of reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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(r) Revenue and other income

(i) Goods sold

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

(ii) Interest income

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

(iii) Dividend income

Dividend income is recognised when the right to receive dividend is established.

(s) Operating lease payments

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

(t) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred.

(u) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company (after deducting any amounts appropriated to bonus and welfare funds for the annual accounting period) by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effect of all dilutive potential ordinary shares, which comprise convertible bonds and share options.

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(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(w) Related parties

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

Related companies refer to the shareholders and their subsidiaries and associates.

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4. Segment reporting

(a) Business segments

The Group comprises the following main business segments:

- Aquaculture products breeding
- Aquatic products processing
- Aquatic products trading
- Others

<i>For the year ended 31 December 2018</i>	Aquaculture products breeding VND	Aquatic products processing VND	Aquatic products trading VND	Others VND	Elimination VND	Consolidation VND
External revenue	-	9,478,991,146,967	7,391,860,424,552	54,497,342,365	-	16,925,348,913,884
Inter-segment revenue	1,461,016,606,188	8,491,410,347,446	6,001,656,509,014	209,447,066,041	(16,163,530,528,689)	-
Total segment revenue	1,461,016,606,188	17,970,401,494,413	13,393,516,933,566	263,944,408,406	(16,163,530,528,689)	16,925,348,913,884
Segment result	(3,287,251,550)	958,942,153,206	166,269,582,666	18,778,349,407	(36,728,749,646)	1,103,974,084,083
Financial income						129,506,135,625
Financial expenses						(337,482,864,690)
Share of profits from associates						6,304,439,545
Result from operating activities						902,301,794,563
Other income						3,240,963,824
Other expenses						(3,522,995,083)
Income tax						(91,644,984,655)
Net profit after tax						810,374,778,649

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<i>As of 31 December 2018</i>	Aquaculture products breeding VND	Aquatic products processing VND	Aquatic products trading VND	Others VND	Elimination VND	Consolidation VND
Segment assets	256,213,519,504	7,656,898,551,150	6,983,077,908,797	362,672,507,569	(6,274,318,890,480)	8,984,543,596,540
Investment in equity accounted associates	-	107,971,458,621	-	-	-	107,971,458,621
Total assets						9,092,515,055,161
Segment liabilities	278,194,474,931	4,094,820,189,698	5,562,892,180,568	30,802,057,713	(4,598,804,753,815)	5,367,904,149,095
Total liabilities						5,367,904,149,095
<i>For the year ended</i> 31 December 2018						
Capital expenditure	23,193,689,683	112,355,081,612	33,819,024,321	7,756,449,091	-	177,124,244,707
Depreciation and amortisation	14,677,354,888	107,746,102,177	50,094,673,212	4,367,390,871	1,287,039,686	178,172,560,834

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(b) Geographical segments

(i) Segment revenue

	Revenue	
	2018 VND	2017 VND
Vietnam	63,084,742,587	103,719,797,779
North America	8,523,084,143,247	7,443,990,655,443
Europe	1,555,774,609,966	1,080,549,186,084
Japan	3,421,185,304,380	3,624,793,042,248
Korea	1,208,532,587,610	1,247,584,725,209
Others	2,153,687,526,094	2,164,647,592,474
	16,925,348,913,884	15,665,284,999,237

(ii) Segment assets

	Total assets	
	31/12/2018 VND	1/1/2018 VND
Vietnam	5,872,866,228,497	7,035,314,593,750
North America	2,945,623,681,600	2,296,142,331,840
Japan	274,025,145,064	178,829,728,169
	9,092,515,055,161	9,510,286,653,759

5. Cash and cash equivalents

	31/12/2018 VND	1/1/2018 VND
Cash on hand	5,232,203,064	2,398,594,984
Cash in banks	100,751,601,973	178,125,732,790
Cash in transits	35,805,623,968	-
Cash equivalents	305,900,000,000	1,604,591,250,000
	447,689,429,005	1,785,115,577,774

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	31/12/2018				1/1/2018			
	Quantity	Cost VND	Fair value VND	Allowance for diminution in value VND	Quantity	Cost VND	Fair value VND	Allowance for diminution in value VND
Short-term investments in shares of:								
▪ Petrol Vietnam Transportation Corporation	78	780,000	780,000	-	171,578	6,004,500,000	2,565,091,100	(3,439,408,900)
▪ No.8 Investment & Construction Joint Stock Company	112,000	5,263,000,000	1,120,000,000	(4,143,000,000)	112,000	5,263,000,000	1,120,000,000	(4,143,000,000)
▪ REE Corporation	19	80,000	80,000	-	19	80,000	80,000	-
▪ Vietnam Pyramid New Technology Corporation	18,823	272,941,176	272,941,176	-	18,823	272,941,176	188,230,000	(84,711,176)
▪ Van Dien Fused Magnesium Phosphate Fertilizer Joint Stock Company	163,646	3,270,588,235	1,832,835,218	(1,437,753,017)	163,646	3,270,588,235	2,323,773,200	(946,815,035)
		8,807,389,411	3,226,636,394	(5,580,753,017)		14,811,109,411	6,197,174,300	(8,613,935,111)

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Movements in the allowance for diminution of trading securities during the year were as follows:

	2018 VND	2017 VND
Opening balance	8,613,935,111	10,045,101,535
Increase during the year	679,130,900	84,711,176
Written back during the year	(941,734,994)	(1,515,877,600)
Utilised during the year	(2,770,578,000)	-
	<hr/>	<hr/>
Closing balance	5,580,753,017	8,613,935,111
	<hr/>	<hr/>

(b) Held-to-maturity investments

	31/12/2018 VND	1/1/2018 VND
Held-to-maturity investments – short-term		
Term deposits (i)	513,263,035,611	225,038,932,350
	<hr/>	<hr/>
Held-to-maturity investments – long-term		
Term deposits	-	7,500,000,000
Bank bonds		
Joint Stock Commercial Bank for Foreign Trade of Vietnam (ii)	5,000,000,000	-
Vietnam Joint Stock Commercial Bank for Industry and Trade (iii)	5,000,000,000	5,000,000,000
	<hr/>	<hr/>
	10,000,000,000	12,500,000,000
	<hr/>	<hr/>

- (i) Term deposits represented term deposits at banks with original term to maturity of less than one year and earned interest at rates ranging from 4.2% to 6.7% per annum (2017: from 6.5% to 6.8%).
- (ii) Bank bonds represented non-convertible bonds issued by Joint Stock Commercial Bank for Foreign Trade of Vietnam on 31 October 2018. These bonds are due for settlement on 31 October 2036. These bonds earned interest at rates of 7.5% per annum.
- (iii) Bank bonds represented non-convertible bonds issued by Vietnam Joint Stock Commercial Bank for Industry and Trade on 14 November 2017. These bonds are due for settlement on 14 November 2036. These bonds earned interest at rates ranging from 7.7% to 7.8% per annum (2017: from 7.7% to 7.8%).

At 31 December 2018, term deposits the carrying amount of VND97,000 million (1/1/2018: VND92,000 million) were pledged with banks as security for short-term loans granted to the Company (Note 21(a)).

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(c) Equity investments in other entities

31 December 2018	Address	% of equity owned	% of economic interest	Cost VND	Fair value VND
Equity investments in:					
Associates					
▪ Minh Phu Aquamekong Aquaculture Technique Service Co., Ltd.	Ho Chi Minh City, Vietnam	49.00%	49.00%	6,170,960,431	(*)
▪ Mekong Logistics Company Limited	Hau Giang Province, Vietnam	41.00%	49.00%	101,800,498,190	(*)
				107,971,458,621	
Other					
▪ Saigon – Camau Infrastructure Corporation	Ca Mau Province, Vietnam	10.00%	10.00%	7,000,000,000	(*)

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1 January 2018	Address	% of equity owned	% of economic interest	Cost VND	Fair value VND
Equity investments in:					
Associates					
▪ Minh Phu Aquamekong Aquaculture Technique Service Co., Ltd.	Ho Chi Minh City, Vietnam	49.00%	49.00%	5,366,085,249	(*)
▪ Mekong Logistics Company Limited	Hau Giang Province, Vietnam	41.00%	49.00%	96,300,933,827	(*)
				101,667,019,076	
Other					
▪ Saigon – Camau Infrastructure Corporation	Ca Mau Province, Vietnam	10.00%	10.00%	7,000,000,000	(*)

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

At 31 December 2018, investments in associates with carrying value of VND101,800 million (1/1/2018: VND96,301 million) were pledged with banks as security for long-term bonds issued by the Company (Note 21 (b)).

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

	2018 VND	2017 VND
Opening balance	101,667,019,076	101,900,000,000
Share of profits/(loss) from associates	6,304,439,545	(232,980,924)
Closing balance	<u>107,971,458,621</u>	<u>101,667,019,076</u>

There was no movement in equity investments in other companies during the year.

7. Accounts receivable from customers

(a) Accounts receivable from customers detailed by significant customers

	31/12/2018 VND	1/1/2018 VND
Censea Inc.	182,387,157,280	182,859,648,240
Aqua Star	133,853,216,640	278,466,886,020
H.T.Foods Pvt Ltd.	66,935,803,392	17,315,584,011
Kailis Bros PTY Ltd.	45,041,561,492	160,023,489,936
Other customers	1,297,286,317,359	1,158,560,047,637
	<u>1,725,504,056,163</u>	<u>1,797,225,655,844</u>

(b) Accounts receivable from customers who are related parties

	31/12/2018 VND	1/1/2018 VND
Saigon – Camau Infrastructure Corporation	2,058,898,500	2,058,898,500
Minh Phu Aquamekong Aquaculture Technique Service Co., Ltd.	-	24,000,000
	<u>2,058,898,500</u>	<u>2,082,898,500</u>

The trade related amounts due from the related parties were unsecured, interest free and are receivable upon demand.

Accounts receivable from customers at 31 December 2018 included VND936,259 million (1/1/2018: VND992,884 million) pledged with banks as security for short-term loans granted to the Group (Note 21(a)). These accounts receivable were also pledged with banks as supplemental security for bonds issued by the Group (Note 21(b)).



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8. Loans receivable

Loans receivable represented loans to Mekong Logistics Company Limited, an associate. These loans are unsecured, earned interest at 7% (2017: 7%) per annum and are receivable within 12 months from the date of disbursements.

There was no movement of loans receivable during the year.

9. Other receivables

(a) Other short-term receivables

	31/12/2018	1/1/2018
	VND	VND
Interest receivable from term deposits	14,320,433,227	15,293,961,649
Short-term deposits (*)	5,161,295,021	5,065,897,971
Advances to employees	11,507,124,159	4,681,634,510
Social and health insurance receivables from employees	2,896,873,294	3,505,044,890
Loans to employees (**)	62,800,000	1,118,483,357
Others	6,355,056,396	7,398,123,540
	<hr/>	<hr/>
	40,303,582,097	37,063,145,917
	<hr/>	<hr/>

(*) Short-term deposits represented deposits at banks for opening letter of credit to purchase merchandise. Short-term deposits are interest free and receivable within one year.

(**) This represented loans to employees which were unsecured, interest free and are receivable on demand.

(b) Other long-term receivables

	31/12/2018	1/1/2018
	VND	VND
Advance to a shrimp farmer (*)	7,306,508,578	7,306,508,578
Antidumping tax	-	7,298,653,350
	<hr/>	<hr/>
	7,306,508,578	14,605,161,928
	<hr/>	<hr/>

(*) This amount represented the advance to a shrimp farmer to support shrimp hatching, which was secured by the farmer's land use rights. The advance is interest free and receivable within 4 years.

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10. Allowance for doubtful debts

	31/12/2018		1/1/2018	
	Overdue days	Cost VND	Recoverable amount VND	Allowance VND
<i>Overdue debts</i>				
Viet Hai Export Frozen Seafood Processing Company Limited	5 – 6 years	982,302,147	-	982,302,147
Mo O Soc Trang Seafood Joint Stock Company	5 – 6 years	771,913,390	-	771,913,390
Thanh Binh Company Limited	5 – 6 years	209,324,000	-	209,324,000
		<u>1,963,539,537</u>	<u>-</u>	<u>1,963,539,537</u>

Of which:

Allowance for doubtful debts – short-term

1,963,539,537

1,963,539,537

There was no movement in allowance for doubtful debts during the year.

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11. Inventories

	31/12/2018		1/1/2018	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	49,741,734,960	-	560,345,768,301	-
Raw materials	112,726,580,560	-	123,769,644,705	-
Tools and supplies	10,469,512,379	-	5,319,462,912	-
Work in progress	60,823,956,390	-	44,083,693,782	-
Finished goods	4,486,839,953,869	(46,318,689,821)	3,367,957,179,858	(28,276,520,214)
	<u>4,720,601,738,158</u>	<u>(46,318,689,821)</u>	<u>4,101,475,749,558</u>	<u>(28,276,520,214)</u>

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

	2018 VND	2017 VND
Opening balance	28,276,520,214	27,569,745,557
Increase during the year	18,943,886,667	14,238,101,185
Written back during the year	(1,097,717,060)	(13,514,926,528)
Translation differences	196,000,000	(16,400,000)
Closing balance	<u>46,318,689,821</u>	<u>28,276,520,214</u>

At 31 December 2018 inventories with carrying value of VND2,282,940 million (1/1/2018: VND2,397,536 million) were pledged with banks as security for short-term loans granted to the Group (Note 21(a)). These inventories were also pledged with banks as supplemental security for long-term bonds issued by the Group (Note 21(b)).

Included in inventories at 31 December 2018 was VND456,111 million (1/1/2018: VND237,360 million) of finished goods carried at net realisable value.

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12. Tangible fixed assets

Cost	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Opening balance	733,572,289,276	1,173,002,865,963	159,878,171,212	20,795,505,227	2,087,248,831,678
Additions	1,730,355,504	125,230,552,643	5,208,206,771	532,908,184	132,702,023,102
Transfers from construction in progress	4,448,310,010	113,407,120	2,252,300,000	-	6,814,017,130
Disposals	-	-	(656,181,818)	-	(656,181,818)
Foreign exchange translation differences	271,266,450	-	-	14,081,130	285,347,580
Closing balance	740,022,221,240	1,298,346,825,726	166,682,496,165	21,342,494,541	2,226,394,037,672
Accumulated depreciation					
Opening balance	297,213,448,877	755,339,403,586	100,562,329,018	14,775,621,700	1,167,890,803,181
Charge for the year	35,728,230,256	118,780,510,387	15,737,582,419	1,777,316,338	172,023,639,400
Disposals	-	-	(656,181,818)	-	(656,181,818)
Foreign exchange translation differences	74,965,590	-	-	14,081,130	89,046,720
Closing balance	333,016,644,723	874,119,913,973	115,643,729,619	16,567,019,168	1,339,347,307,483
Net book value					
Opening balance	436,358,840,399	417,663,462,377	59,315,842,194	6,019,883,527	919,358,028,497
Closing balance	407,005,576,517	424,226,911,753	51,038,766,546	4,775,475,373	887,046,730,189

Included in tangible fixed assets were assets costing VND252,917 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND258,509 million), but which are still in active use.

At 31 December 2018, tangible fixed assets with carrying value of VND318,129 million (1/1/2018: VND391,465 million) were pledged with banks as security for short-term loans granted to the Group (Note 21(a)). These tangible fixed assets were also pledged with banks as supplemental security for long-term bonds issued by the Group (Note 21(b)).

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13. Intangible fixed assets

	Indefinite land use rights VND	Definite land use rights VND	Software VND	Total VND
Cost				
Opening balance	18,921,731,470	22,181,099,585	30,150,276,330	71,253,107,385
Additions	-	-	200,000,000	200,000,000
Reclassification from long-term prepaid expenses	-	97,608,400,513	-	97,608,400,513
Foreign exchange translation differences	320,830,930	-	-	320,830,930
Closing balance	19,242,562,400	119,789,500,098	30,350,276,330	169,382,338,828
Accumulated amortisation				
Opening balance	-	4,746,339,831	7,053,183,606	11,799,523,437
Charge for the year	-	2,484,351,227	2,377,530,521	4,861,881,748
Closing balance	-	7,230,691,058	9,430,714,127	16,661,405,185
Net book value				
Opening balance	18,921,731,470	17,434,759,754	23,097,092,724	59,453,583,948
Closing balance	19,242,562,400	112,558,809,040	20,919,562,203	152,720,933,643

Included in intangible fixed assets were assets costing VND3,097 million which were fully amortised as of 31 December 2018 (1/1/2018: VND3,016 million), but which are still in use.

At 31 December 2018 intangible fixed assets with carrying value of VND47,516 million (1/1/2018: VND2,050 million) were pledged with banks as security for short-term loans granted to the Group (Note 21(a)). These intangible fixed assets were also pledged with banks as supplemental security for long-term bonds issued by the Group (Note 21(b)).

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14. Construction in progress

	2018	2017
	VND	VND
Opening balance	157,518,936,138	160,575,227,654
Additions during the year	44,222,221,605	19,671,843,638
Transfers to tangible fixed assets	(6,814,017,130)	(4,456,000,000)
Transfers to long-term prepaid expenses	(23,281,022,680)	(18,272,135,154)
	171,646,117,933	157,518,936,138

Major constructions in progress were as follows:

	31/12/2018	1/1/2018
	VND	VND
Buildings	27,887,223,117	35,183,516,705
Land use rights	124,189,847,111	122,180,992,565
Shrimp ponds	19,505,411,341	-
Others	63,636,364	154,426,868
	171,646,117,933	157,518,936,138

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15. Prepaid expenses

(a) Short-term prepaid expenses

	31/12/2018	1/1/2018
	VND	VND
Tools and instruments	4,087,489,793	2,973,095,406

(b) Long-term prepaid expenses

	Prepaid land costs	Tools and instruments	Total
	VND	VND	VND
Opening balance	142,144,458,628	32,515,253,006	174,659,711,634
Additions	-	47,265,764,404	47,265,764,404
Transfers from construction in progress	-	23,281,022,680	23,281,022,680
Reclassification to intangible fixed assets	(97,608,400,513)	-	(97,608,400,513)
Amortisation for the year	(3,234,821,556)	(35,797,147,751)	(39,031,969,307)
Closing balance	41,301,236,559	67,264,892,339	108,566,128,898

At 31 December 2018, there were no long-term prepaid expenses pledged with banks as security for short-term loans granted to the Group (1/1/2018: VND46,650 million).

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16. Deferred tax assets and liabilities

	31/12/2018	1/1/2018
	VND	VND
Deferred tax assets:		
Unrealised profits arising from intra-group transactions	9,444,607,748	13,309,334,353
Provisions and allowances	-	29,439,883
Unrealised gains on revaluation of assets transferred to an associate as capital contribution	7,594,173,797	7,565,100,477
Tax losses carry-forwards	-	9,441,021,752
	<hr/>	<hr/>
Total deferred tax assets	17,038,781,545	30,344,896,465
	<hr/>	<hr/>
Deferred tax liabilities:		
Allowance for diminution in the value of investments in subsidiaries	(17,890,029,536)	(17,890,029,536)
Unrealised foreign exchange gains	(1,732,611,442)	(2,000,444,315)
	<hr/>	<hr/>
Total deferred tax liabilities	(19,622,640,978)	(19,890,473,851)
	<hr/>	<hr/>
Net deferred tax assets	(2,583,859,433)	10,454,422,614
	<hr/>	<hr/>

17. Goodwill

	2018	2017
	VND	VND
Cost		
Opening and closing balance	30,888,957,000	30,888,957,000
	<hr/>	<hr/>
Accumulated amortisation		
Opening balance	29,601,917,314	26,513,021,614
Amortisation for the year	1,287,039,686	3,088,895,700
	<hr/>	<hr/>
Closing balance	30,888,957,000	29,601,917,314
	<hr/>	<hr/>
Net book value		
Opening balance	1,287,039,686	4,375,935,386
Closing balance	-	1,287,039,686
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18. Taxes payable to and receivable from State Treasury

(a) Taxes payable to State Treasury

	1/1/2018 VND	Incurred VND	Paid VND	Net-off/ reclassification VND	31/12/2018 VND
Value added tax	1,235,558,765	298,857,411,617	(22,923,671,417)	(275,014,459,485)	2,154,839,480
Import-export tax	-	215,670,938	(215,670,938)	-	-
Corporate income tax	31,407,968,301	78,606,702,608	(88,639,118,658)	3,648,159,297	25,023,711,548
Personal income tax	861,681,216	10,367,197,808	(9,835,048,841)	(5,933,481)	1,387,896,702
Other taxes	34,695,720	1,315,583,216	(1,155,990,451)	-	194,288,485
	33,539,904,002	389,362,566,187	(122,769,500,305)	(271,372,233,669)	28,760,736,215

(b) Deductible value added tax

	1/1/2018 VND	Incurred VND	Paid VND	Net-off VND	31/12/2018 VND
Value added tax	16,782,851,990	359,098,712,958	(39,262,427,055)	(275,014,459,485)	61,604,678,408

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(c) Taxes receivable from State Treasury

	1/1/2018	Incurred	Refunded	Net-off/ reclassification	Foreign exchange translation differences	31/12/2018
	VND	VND	VND	VND	VND	VND
Corporate income tax	6,168,361,371	-	-	3,648,159,297	130,375,720	9,946,896,388
Import-export tax	2,913,826,956	411,243,253	(589,937,698)	-	-	2,735,132,511
Personal income tax	161,312,556	423,873,310	(5,413,572)	(5,933,481)	-	573,838,813
	9,243,500,883	835,116,563	(595,351,270)	3,642,225,816	130,375,720	13,255,867,712

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19. Long-term unearned revenue

Long-term unearned revenue represented unrealised gains on revaluation of assets transferred to an associate as capital contribution. Movements of long-term unearned revenue were allocated to other income during the year (Note 33).

20. Other payables

(a) Other payables – short-term

	31/12/2018	1/1/2018
	VND	VND
Interest payable	4,693,277,218	20,548,736,976
Dividends payable	2,504,968,300	2,619,368,300
Social insurance, health insurance and trade union payable	2,954,224,473	5,154,010,250
Land rental payable	2,920,719,429	3,451,759,324
Advance from a third party (*)	32,378,332,853	31,459,084,500
Others	13,769,501,857	12,877,329,333
	59,221,024,130	76,110,288,683

(*) This amount represented cash advance received from a third party under a business cooperation agreement for breeding and trading aquacultural products.

(b) Other payables – long-term

	31/12/2018	1/1/2018
	VND	VND
Long-term deposits received	1,896,856,000	6,836,856,000

Other payables as at 31 December 2018 and 1 January 2018 were not overdue.

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21. Borrowings and bonds

(a) Short-term borrowings

	1/1/2018	Movements during the year		31/12/2018
	Carrying amount/ Amount within repayment capacity VND	Additions VND	Repayments VND	Carrying amount/ Amount within repayment capacity VND
Short-term borrowings	3,475,843,624,232	14,252,329,702,013	(14,334,888,065,744)	(16,059,269,197)
				3,377,225,991,304

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

	Currency	Annual interest rate 2018	Annual interest rate 2017	31/12/2018 VND	1/1/2018 VND
Vietnam Joint Stock Commercial Bank for Industry and Trade – Ca Mau Branch					
Loan 1	USD	2.5% - 3.8%	1.5% - 2.0%	1,284,562,678,900	1,469,201,913,706
Loan 2	USD	2.0% - 2.2%	2.0% - 2.2%	1,255,643,153,040	974,028,399,706
Loan 3	USD	2.0%	2.0%	-	55,661,639,210
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Ca Mau Branch					
Loan 1	USD	2.5% - 3.8%	2.0% - 3.0%	330,832,858,400	407,618,902,877
Loan 2	USD	3.1%	4.7% - 5.0%	75,143,988,000	270,377,089,221
Bank for Investment and Development of Vietnam Joint Stock Company – Ca Mau Branch	USD	2.5% - 3.4%	2.0% - 2.4%	214,979,090,320	294,413,679,512
Citibank – North America	USD	0%	0%	4,640,000,000	4,542,000,000
Ho Chi Minh City Development Joint Stock Commercial Bank	USD	3.4%	-	131,608,102,644	-
Orient Commercial Joint Stock Bank	USD	3.4%	-	79,816,120,000	-
				3,377,225,991,304	3,475,843,624,232

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The bank loans were secured by the following assets of the Group:

	Carrying amount as at	
	31/12/2018 VND	1/1/2018 VND
Term deposits (Note 6(b))	97,000,000,000	92,000,000,000
Accounts receivable from customers (Note 7)	936,258,836,531	992,884,331,847
Inventories (Note 11)	2,282,939,854,522	2,397,535,959,251
Tangible fixed assets (Note 12)	318,128,942,765	391,462,563,220
Intangible fixed assets (Note 13)	47,515,811,051	2,050,211,480
Long-term prepaid expenses (Note 15(b))	-	46,650,281,381
	3,681,843,444,869	3,922,583,347,179

The accounts receivable from customers, inventories, tangible fixed assets, intangible fixed assets and long-term prepaid expenses were also pledged with banks as supplemental security for long-term bonds issued by the Group (Note 21(b)).

(b) Bonds

Terms and conditions of outstanding long-term corporate bonds were as follows:

	Currency	Annual interest rate		Quantity		Maturity date	31/12/2018 VND	1/1/2018 VND
		2018	2017	2018	2017			
MPC_BOND2015 (*)	VND	7.50%	7.50%	-	500	20/5/2020	-	492,750,000,005
MPC_BOND2015 (*)	VND	7.50%	7.50%	930	1,000	11/6/2020	933,166,666,681	995,166,666,672
MPHG_BOND2015 (*)	VND	7.50%	7.50%	250	560	30/7/2020	257,000,000,014	555,000,000,010
							1,190,166,666,695	2,042,916,666,687

These bonds are presented at face value less issuance costs. Bond issuance costs are amortised on a straight-line basis over the term of the bonds.

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- (*) MPC_BOND2015 are non-convertible bonds with 5-year term and were secured over long-term investments in eight (8) subsidiaries and one (1) associate of the Group with carrying amounts of VND506,135 million (1/1/2018: VND450,397 million) and other assets of the Group with carrying amounts as follows:

	Carrying amount	
	31/12/2018	1/1/2018
	VND	VND
Accounts receivable from customers (Note 7)	359,826,730,108	298,162,938,506
Inventories (Note 11)	1,182,586,875,875	1,160,595,579,077
Tangible fixed assets (Note 12)	76,621,431,432	91,689,756,338
Intangible fixed assets (Note 13)	1,987,380,124	2,050,211,480
	1,621,022,417,539	1,552,498,485,401

The accounts receivable from customers, inventories, tangible fixed assets, intangible fixed assets and long-term prepaid expenses were also pledged with banks as supplemental security for short-term borrowings of the Group as presented in Note 21(a).

- (**) MPHG_BOND2015 are non-convertible bonds with 5-year term and were secured over investment in an associate of the Group with carrying amount of VND101.800 million (1/1/2018: VND96.301 million) and other assets of the Group, details as follows:

	Carrying amount	
	31/12/2018	1/1/2018
	VND	VND
Accounts receivable from customers (Note 7)	576,432,106,423	694,721,393,341
Inventories (Note 11)	1,100,352,978,647	1,236,940,380,174
Tangible fixed assets (Note 12)	241,507,511,333	299,772,806,882
Intangible fixed assets (Note 13)	45,528,430,927	-
Long-term prepaid expenses (Note 15(b))	-	46,650,281,381
	1,963,821,027,330	2,278,084,861,778

The accounts receivable from customers, inventories, tangible fixed assets, intangible fixed assets and long-term prepaid expenses were also pledged with banks as supplemental security for short-term borrowings of the Group as presented in Note 21(a).

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(***) Movements in long-term bonds during the year were as follows:

	2018	2017
	VND	VND
Opening balance	2,042,916,666,687	3,475,916,666,679
Amortisation of bonds issuance costs	11,250,000,008	7,000,000,008
Repurchases (***)	(864,000,000,000)	(1,440,000,000,000)
	1,189,166,666,695	2,042,916,666,687
Closing balance	1,190,166,666,695	2,042,916,666,687

(****) During the year, the Group repurchased all 5-year bonds with total face value of VND500 billion and a part of 5-year bonds with total face value of VND1,000 billion and VND560 billion, respectively before their maturity date. No transaction costs incurred as a result of the repurchases.

22. Bonus and welfare fund

This fund is established by appropriating from retained profits as approved by shareholders at shareholders' meeting. This fund is used to pay bonus and welfare to the employees of Company and its subsidiaries in accordance with the Group's bonus and welfare policies. Movements of bonus and welfare fund during the year were as follows:

	2018	2017
	VND	VND
Opening balance	59,749,496,547	53,386,687,257
Appropriation from retained profits	23,588,616,084	5,442,355,905
Utilisation during the year	(8,795,853,973)	(1,098,799,727)
Conversion to bonus shares	(15,371,500,000)	-
Transfers from provision for severance allowance	-	2,019,253,112
	59,170,758,658	59,749,496,547
Closing balance	59,170,758,658	59,749,496,547

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23. Changes in owners' equity

	Share capital VND	Capital surplus VND	Treasury shares VND	Foreign exchange differences VND	Investment and development fund VND	Retained profits VND	Non-controlling interest VND	Total VND
Balance at 1 January 2017	700,000,000,000	177,876,869,236	(80,162,090,861)	126,455,519,008	32,244,098,097	845,897,804,857	490,659,160,373	2,292,971,360,710
Net profit for the year	-	-	-	-	-	639,019,613,866	75,143,460,588	714,163,074,454
Appropriation to investment and development funds	-	-	-	-	27,211,779,524	(27,211,779,524)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(5,442,355,905)	-	(5,442,355,905)
Dividends (***)	-	-	-	-	-	-	(3,980,368,405)	(3,980,368,405)
Utilisation of funds	-	-	-	-	(5,080,977,616)	-	-	(5,080,977,616)
Translation differences	-	-	-	(912,241,089)	-	-	(93,463,486)	(1,005,704,575)
Balance at 1 January 2018	700,000,000,000	177,876,869,236	(80,162,090,861)	125,543,277,919	54,374,900,005	1,452,263,283,294	561,728,789,070	2,991,625,028,663
Share issuance (*)	684,628,500,000	(177,876,869,236)	-	-	-	(506,751,630,764)	-	-
Bonus share issuance (**)	15,371,500,000	-	-	-	-	-	-	15,371,500,000
Net profit for the year	-	-	-	-	-	702,856,553,747	107,518,224,902	810,374,778,649
Appropriation to investment and development funds	-	-	-	-	118,214,587,107	(118,207,799,440)	(6,787,667)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(23,588,616,084)	-	(23,588,616,084)
Dividends (***)	-	-	-	-	-	-	(74,276,375,000)	(74,276,375,000)
Utilisation of funds	-	-	-	-	(6,171,656,054)	-	-	(6,171,656,054)
Foreign exchange translation differences	-	-	-	10,137,694,369	-	-	1,138,551,523	11,276,245,892
Balance at 31 December 2018	1,400,000,000,000	-	(80,162,090,861)	135,680,972,288	166,417,831,058	1,506,571,790,753	596,102,402,828	3,724,610,906,066

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- (*) On 9 March 2018, the Annual General Meeting of the Company’s shareholders approved the share issuance to existing shareholders of the Company at the ratio of 1:1 by appropriation from capital surplus and retained profits of the Group. Subsequently, the Company issued 68,462,850 new shares in June 2018, corresponding to the total face value in issuance of 684,628,500,000 VND.
- (**) On 9 March 2018, the Annual General Meeting of the Company’s shareholders approved the issuance of bonus shares to key management personnel of the Company and its subsidiaries for a total number of shares in issuance of 1,537,150 shares, corresponding to the total face value in issuance of 15,371,500,000 VND, appropriate from bonus and welfare fund of the Group.

On 24 July 2018, the Company reported the result of bonus share issuance in accordance with the employee share option program to the State Securities Commission. Subsequently, the number of shares in issuance were 1,537,150 shares.

- (***) On 9 March 2018, 1 August 2018, 15 November 2018 and 12 December 2018, the Members’ Council of Minh Phu Hau Giang Seafood Joint Stock Company, Minh Qui Seafood Co., Ltd., Minh Phat Seafood Co., Ltd., the Company’s subsidiaries, approved the profit distribution amounting to VND74,276 million (2017: VND3,980 million).

24. Share capital

The Company’s authorised and issued share capital is:

	31/12/2018		1/1/2018	
	Number of shares	VND	Number of shares	VND
Authorised and issued shares capital				
Ordinary shares	140,000,000	1,400,000,000,000	70,000,000	700,000,000,000
Treasury shares				
Ordinary shares	(1,537,150)	(80,162,090,861)	(1,537,150)	(80,162,090,861)
Shares currently in circulation				
Ordinary shares	138,462,850	1,319,837,909,139	68,462,850	619,837,909,139

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company’s residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

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Movements in share capital during the year were as follows:

	2018		2017	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the year	70,000,000	700,000,000,000	70,000,000	700,000,000,000
Shares issued from retained profits and capital surplus	68,462,850	684,628,500,000	-	-
Bonus share issued from bonus and welfare funds	1,537,150	15,371,500,000	-	-
Balance at the end of the year	140,000,000	1,400,000,000,000	70,000,000	700,000,000,000

25. Investment and development fund

Investment and development fund was appropriated from retained profits in accordance with the resolution of General Meeting of Shareholders. This fund was established for the purpose of future business expansion.

26. Off balance sheet items

(a) Lease

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

	31/12/2018 VND	1/1/2018 VND
Within 1 year	7,945,510,239	7,390,354,705
From 2 to 5 years	13,472,373,397	3,568,185,000
More than 5 years	14,436,885,019	4,564,986,301
	35,854,768,655	15,523,526,006

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(b) Foreign currencies

	31/12/2018		1/1/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	2,123,577	49,269,297,817	3,497,394	79,555,626,089
JPY	101,604,416	21,235,322,944	371,493,573	74,695,478,094
CND	1,447	24,942,114	-	-
		70,529,562,875		154,251,104,183

(c) Capital expenditure commitments

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

	31/12/2018 VND	1/1/2018 VND
Approved but not contracted	38,350,948,619	51,838,190,406
Approved and contracted	25,991,783,760	25,151,381,920
	64,342,732,379	76,989,572,326

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27. Revenue from sales of goods

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

Net revenue comprised:

	2018	2017
	VND	VND
Total revenue		
▪ Finished goods sold	14,508,003,463,672	13,656,892,624,518
▪ Merchandise goods sold	2,485,543,841,223	2,066,074,968,370
▪ Scraps sold	18,589,272,662	24,054,173,926
▪ Others	10,885,652,642	20,079,963,204
	<hr/>	<hr/>
	17,023,022,230,199	15,767,101,730,018
	<hr/>	<hr/>
Less revenue deductions		
▪ Sales discounts	10,698,500,760	-
▪ Sales allowances	26,854,414,289	2,723,688,776
▪ Sales returns	60,120,401,266	99,093,042,005
	<hr/>	<hr/>
	97,673,316,315	101,816,730,781
	<hr/>	<hr/>
Net revenue	16,925,348,913,884	15,665,284,999,237
	<hr/>	<hr/>

28. Cost of sales

	2018	2017
	VND	VND
Cost of goods sold	14,709,995,586,935	13,800,412,452,629
Allowance for inventories	17,846,169,607	723,174,657
	<hr/>	<hr/>
	14,727,841,756,542	13,801,135,627,286
	<hr/>	<hr/>

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29. Financial income

	2018	2017
	VND	VND
Interest income	77,297,829,840	91,850,921,842
Dividends	475,746,600	335,254,400
Realised foreign exchange gains	30,432,487,441	44,937,560,547
Unrealised foreign exchange gains	15,236,769,533	2,944,735,222
Others	6,063,302,211	2,044,897,582
	<hr/>	<hr/>
	129,506,135,625	142,113,369,593
	<hr/>	<hr/>

30. Financial expenses

	2018	2017
	VND	VND
Interest expense	202,985,806,197	180,875,770,671
Realised foreign exchange losses	118,668,558,164	93,554,635,690
Unrealised foreign exchange losses	4,769,925,257	29,116,234
Amortisation of bonds issuance costs	11,250,000,008	7,000,000,008
Allowance for diminution in the value of trading securities	(262,604,094)	(1,431,166,424)
Others	71,179,158	20,896,984
	<hr/>	<hr/>
	337,482,864,690	280,049,253,163
	<hr/>	<hr/>

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31. Selling expenses

	2018	2017
	VND	VND
Transportation expenses	356,673,384,147	344,609,224,078
Warehouse rental expenses	229,886,391,482	158,459,401,685
Commission fees	155,051,213,174	171,184,546,294
Staff costs	45,814,271,787	42,043,351,429
Tools and supplies expenses	2,834,729,156	2,765,183,586
Materials expenses	2,430,835,990	2,391,612,734
Depreciation expenses	922,603,438	806,439,116
Outside service expenses	80,639,162,283	22,815,788,582
Others	32,858,172,233	27,110,876,579
	<hr/>	<hr/>
	907,110,763,690	772,186,424,083
	<hr/>	<hr/>

32. General and administration expenses

	2018	2017
	VND	VND
Staff costs	102,861,788,771	81,232,248,942
Bank charges	11,117,890,870	10,250,498,512
Office supplies	3,745,187,091	4,251,660,230
Depreciation expenses	10,655,211,318	9,166,825,239
Fees and duties	1,413,115,637	454,378,391
Outside service expenses	27,361,134,774	27,248,919,626
Others	29,267,981,108	29,246,033,832
	<hr/>	<hr/>
	186,422,309,569	161,850,564,772
	<hr/>	<hr/>

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33. Other income

	2018 VND	2017 VND
Gains from disposals of fixed assets	100,000,000	343,314,408
Compensation received	-	189,159,675
Amortisation of gains on revaluation of assets transferred to an associate as capital contribution (Note 19)	780,765,048	1,301,275,080
Others	2,360,198,776	1,791,148,487
	3,240,963,824	3,624,897,650

34. Other expenses

	2018 VND	2017 VND
Losses on disposals of fixed assets	-	255,500,002
Penalties	1,990,670,213	1,220,918,433
Others	1,532,324,870	1,891,777,890
	3,522,995,083	3,368,196,325

35. Production and business costs by element

	2018 VND	2017 VND
Raw material costs	12,958,192,310,114	10,926,645,307,020
Labour costs and staff costs	1,520,838,180,120	1,296,454,066,175
Depreciation and amortisation	178,172,560,834	165,302,178,984
Outside services	1,035,739,926,163	786,332,604,572
Other expenses	427,254,925,776	320,728,170,522

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36. Income tax

(a) Recognised in the consolidated statement of income

	2018 VND	2017 VND
Current tax expense		
Current year	82,047,130,000	75,827,886,534
(Over)/under provision in prior years	(3,440,427,392)	3,383,476,981
	<hr/> 78,606,702,608	<hr/> 79,211,363,515
Deferred tax expenses		
Origination and reversal of temporary differences	13,038,282,047	(1,174,218,042)
	<hr/> 91,644,984,655	<hr/> 78,037,145,473

(b) Reconciliation of effective tax rate

	2018 VND	2017 VND
Accounting profit before tax	902,019,763,304	792,200,219,927
Tax at the Company's tax rate	90,201,976,330	79,220,021,993
Non-deductible expenses	859,417,064	1,227,726,857
Tax incentives	(38,689,266,867)	(22,831,670,337)
Deferred tax assets not recognised	22,363,628,641	4,254,758,044
Effect of different tax rates in subsidiaries	(5,400,846,056)	10,860,860,365
Effect of different tax rates applied to other income	17,144,298,712	8,484,390,410
Written off deferred tax assets	9,441,388,315	-
(Over)/under provision in prior years	(3,440,427,392)	3,383,476,981
Non-taxable income	(756,095,119)	(971,688,460)
Tax losses utilised	(79,088,973)	(5,590,730,380)
Income tax expense	<hr/> 91,644,984,655	<hr/> 78,037,145,473

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(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31/12/2018		1/1/2018	
	Temporary difference VND	Tax value VND	Temporary difference VND	Tax value VND
Deductible temporary differences	2,395,919,217	119,795,960	2,395,919,217	119,795,960
Tax losses	338,336,206,492	47,567,435,946	321,110,898,464	38,429,059,711
	<u>340,732,125,709</u>	<u>47,687,231,906</u>	<u>323,506,817,681</u>	<u>38,548,855,671</u>

Tax losses comprised tax losses of the Company's subsidiaries. Tax losses will expire in the following periods:

Year of expiry	Status of tax review	Tax losses available VND
2019	Outstanding	19,305,217,302
2020	Outstanding	84,342,398,435
2021	Outstanding	93,604,643,919
2022	Outstanding	38,197,646,435
2023	Outstanding	15,580,355,713
2028	Outstanding	87,305,944,688
		<u>338,336,206,492</u>

Tax losses amounts VND84,831,019,118 expired during the year.

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of deductible temporary differences and tax losses because it is not probable that future taxable profits will be available against which these subsidiaries can utilise the benefits therefrom.

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(d) Applicable tax rates

The Company

Under the terms of Income Tax Law, the Company has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits on processing and producing of aquatic products and the usual income tax rate on other trading activities.

The subsidiaries

Mseafood Corporation (“Mseafood”)

Under the regulations of United States of America, Mseafood has the obligation to pay two types of corporate income taxes:

- State corporate income tax: at the rate of 8.84% on the taxable income. In case of reporting losses, Mseafood still has to pay the minimum tax of USD800.
- Federal corporate income tax: at the higher of assessable income multiplied by progressive tax rate or 21% of taxable income.

Minh Phu Hau Giang Seafood Joint Stock Company (“Minh Phu Hau Giang”)

Under the terms of its Business Registration Certificate, Minh Phu Hau Giang has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2011 to 2026 and 20% thereafter. The provisions of Minh Phu Hau Giang’s Business Registration Certificate allow it to be exempted from income tax from 2012 to 2015 and receive a 50% reduction in income tax from 2016 to 2024. According to Circular 96/2015/TT-BTC, income of seafood processing activities are exempted from corporate income tax. All the above tax incentives are not applicable to other income which is taxed at the usual income tax rate.

Minh Qui Seafood Co., Ltd. (“Minh Qui”)

Under the terms of Income Tax Law, Minh Qui has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profit.

Minh Phat Seafood Co., Ltd. (“Minh Phat”)

Under the terms of Income Tax Law, Minh Phat has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profit.

Minh Phu - Kien Giang Seafood Co., Ltd. (“Minh Phu - Kien Giang”)

Under the terms of its Business Registration Certificate, Minh Phu - Kien Giang has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2006 to 2020 and 20% thereafter. The provisions of Minh Phu - Kien Giang’s Business Registration Certificate allow it to be exempted from income tax from 2007 to 2009 and receive a 50% reduction in income tax from 2010 to 2018. All the above tax incentives are not applicable to other income which is taxed at usual income tax rate.

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Minh Phu Aquatic Larvae Co., Ltd. (“Minh Phu Larvae”)

Under the terms of its Investment Certificate, Minh Phu Larvae has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2006 to 2020 and 20% thereafter. The provisions of Minh Phu Larvae’s Investment Certificate allow it to be exempted from income tax from 2009 to 2012 and receive a 50% reduction in income tax from 2013 to 2019. The income tax regulations also specify that if the Company does not generate any taxable profit in three consecutive years from the first year it generates revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made. All the above tax exemption and reduction are not applicable to other income which is taxed at usual income tax rate.

Minh Phu - Loc An Aquaculture Co., Ltd. (“Minh Phu - Loc An”)

Under the terms of its Investment Certificate, Minh Phu - Loc An has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profits. The provisions of Minh Phu - Loc An’s Investment Certificate allow it to be exempted from income tax for one year starting from the first year it generates a taxable profit and receive a 50% reduction in income tax for four succeeding years. The income tax regulations also specify that if Minh Phu - Loc An does not generate any taxable profit in three consecutive years from the first year it generate revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made. All the above tax incentives are not applicable to other income which is taxed at the usual income tax rate.

Minh Phu Bio Co., Ltd. (“Minh Phu Bio”)

Under the terms of its Investment Certificate, Minh Phu Bio has an obligation to pay the government corporate income tax at the rate of 10% of taxable profits from 2009 to 2023 and 20% thereafter. The provisions of Minh Phu Bio’s Investment Certificate allow it to be exempted from income tax from 2009 to 2012 and receive a 50% reduction in income tax from 2013 to 2021. All the above tax incentives are not applicable to other income which is taxed at the usual income tax rate.

Minh Phu Seafood Supply Chain Co., Ltd. (“Minh Phu Supply Chain”)

Under the terms of its Business Registration Certificate, the Company is exempted from income tax for four years starting from the first year it generates a taxable profit and entitled to a 50% reduction in income tax for the nine succeeding years. The income tax regulations also specify that if the Company does not generate any taxable profit in three consecutive years from the first year it generate revenue, the above tax exemption period will start in the fourth year despite the fact that no taxable profit has been made. All the above tax incentives are not applicable to other income which is taxed at the usual income tax rate.

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Minh Phu Hau Giang Port Corporation

Under the terms of its Business Registration Certificate, Minh Phu Hau Giang Port Corporation has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profit.

Ebisumo Logistic Co., Ltd. (“Ebisumo”)

Under the regulations of Japan, Ebisumo has the obligation to pay two types of corporate income tax:

- Corporate income tax: at the rate of 15% on the first JPY8 million of taxable income and 23.4% on the over JPY8 million of taxable income.
- National local corporate tax: at the fixed rate of 4.4% of its corporate tax liabilities.

Minh Phu Food Co., Ltd. (“Minh Phu Food”)

Under the terms of its Business Registration Certificate, Minh Phu Food has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profit.

Minh Phu Mangrove Shrimp Social Enterprise (“Minh Phu Mangrove”)

Under the terms of its Business Registration Certificate, Minh Phu Mangrove has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profit.

Minh Phu High-Tech Agriculture Joint Stock Company (“Minh Phu High-Tech Agriculture”)

Under the terms of its Business Registration Certificate, Minh Phu High-Tech Agriculture has an obligation to pay the government corporate income tax at the usual income tax rate of taxable profit.

37. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to Bonus and welfare fund for the accounting period and a weighted average number of ordinary shares outstanding, calculated as follows:

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(i) Net profit attributable to ordinary shareholders

	2018 VND	2017 VND
Net profit attributable to ordinary shareholders	702,856,553,747	639,019,613,866
Appropriation to bonus and welfare funds	(23,588,616,084)	(5,442,355,905)
	<hr/>	<hr/>
Net profit attributable to ordinary shareholders	679,267,937,663	633,577,257,961

(ii) Weighted average number of ordinary shares

	2018	2017	2017
	Shares	(as restated) Shares	(as previously reported) Shares
Issued ordinary shares at the beginning of the year	70,000,000	70,000,000	70,000,000
Effect of treasury shares held	(1,537,150)	(1,537,150)	(1,537,150)
Effect of shares issuance	68,462,850	68,462,850	-
Effect of bonus shares issuance	678,031	-	-
	<hr/>	<hr/>	<hr/>
Weighted average number of ordinary shares for the year	137,603,731	136,925,700	68,462,850

In June 2018, the Company issued ordinary shares to existing shareholders at a ratio of 1:1 from capital surplus and undistributed profits. Accordingly, 68,462,850 ordinary shares were issued. These shares have also been adjusted for the calculation of basic earnings per share for the year ended 30 June 2017.

(iii) Basic earnings per share

	2018	2017	2017
	VND	(as restated) VND	(as previously reported) VND
Basic earnings per share	4,936	4,627	9,254

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(b) Diluted earnings per share

As at 31 December 2018, the Company did not have dilutive potential ordinary shares. Accordingly, the requirement of presentation for diluted earnings per share is not applied.

38. Significant transactions with related parties

In additions to the balances with related parties disclosed in other notes to the consolidated financial statements, the Group has significant transactions with related parties during the year as follows:

	2018	2017
	VND	VND
Associate		
Mekong Logistics Company Limited		
Purchase of service	79,721,912,988	29,832,620,490
Interest income	2,703,265,753	711,666,667
Other related party		
Long Phung Investment Corporation		
Office rental expenses	2,582,440,200	2,371,041,223

Transactions with key management personnel

Salary, bonus and allowances payable to the Board of Directors and Board of Management during the year were as follows:

	2018	2017
	VND	VND
Salary, bonus and allowances	18,921,145,370	18,261,212,393

39. Non-cash investing activities

	2018	2017
	VND	VND
Cost of fixed assets acquired through occurrence of liabilities	755,323,277	7,035,867,739

Minh Phu Seafood Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the year ended 31 December 2018
(continued)

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40. Post balance sheet events

(a) Distribution of 2018 dividend in cash

On 29 January 2019, the General Meeting of Shareholders approved the distribution of 2018 dividends in cash at 50% par value, equivalent to VND5,000/share from the Group's retained profits as at 31 December 2018. As at the issuance date of these consolidated financial statements, the dividends have not been paid or recognised in the consolidated financial statements.

(b) Increase in the Group's charter capital through issuance of new shares

On 15 February 2019, the Board of Management approved the share issuance through private placement in accordance with the Resolution of the Extraordinary General Meeting of Shareholders No. 02/NQDHDCD.MP18 dated 10 November 2018 of which the offering price was decided in accordance with the Resolution of the Extraordinary General Meeting of Shareholders No. 01/NQĐHĐCĐ.MP19 dated 29 January 2019. Subsequently, the Extraordinary General Meeting of Shareholders approved the issuance of 75,720,000 shares, equivalent to total par value of 757,200,000,000 VND to private investors.

41. Corresponding figures

Corresponding figures as at 1 January 2018 were carried forward from the figures presented in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

18 March 2019

Prepared by:



Luu Minh Trung
Chief Accountant

Approved by:



Le Van Diep
Deputy General Director

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