

Vinhomes Joint Stock Company

Consolidated financial statements

For the year ended 31 December 2019



Vinhomes Joint Stock Company

Consolidated financial statements

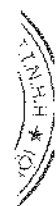
For the year ended 31 December 2019



Vinhomes Joint Stock Company

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Vinhomes Joint Stock Company

GENERAL INFORMATION

THE COMPANY

Vinhomes Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0103022741 issued by the Hanoi Department of Planning and Investment on 6 March 2008 and the Enterprise Registration Certificate No. 0102671977 dated 5 August 2010 on registration of a shareholding company. The Company also subsequently received amended Enterprise Registration Certificates with the 30th amendment dated 12 June 2020 as the latest.

The current principal activities of the Company are to develop real estate property for sale, provide leasing of offices, render real estate management and related services, provide general contractor services, consulting and designing construction services, supervision and construction management services.

The Company's head office is located at Symphony Office Tower, Chu Huy Man Street, Vinhomes Riverside Eco-Urban Area, Phuc Loi Ward, Long Bien District, Hanoi, Vietnam.

Vingroup JSC is the Company's parent (also referred to as "the Parent Company"). Vingroup JSC and its subsidiaries are hereby referred as the Group

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Ms. Nguyen Dieu Linh	Chairwoman	Appointed on 28 February 2019
Mr. Pham Nhat Vuong	Member	Ms. Nguyen Dieu Linh was appointed as the Chairperson as replacement for Mr. Pham Nhat Vuong on 28 February 2019
Mr. Nguyen Viet Quang	Member	
Ms. Cao Thi Ha An	Member	
Mr. Varun Kapur	Independent member	
Mr. Mueen Uddeen	Independent member	

SUPERVISORY BOARD

Members of the Supervisory Board during the year and at the date of this report are:

Mr. Pham Khoi Nguyen	Head of the Supervisory Board
Ms. Doan Thi Thu Mai	Member
Ms. Le Thi Duyen	Member

Vinhomes Joint Stock Company

GENERAL INFORMATION (continued)

MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr. Pham Thieu Hoa	Chief Executive Officer	Appointed on 18 May 2019
	Deputy Chief Executive Officer	Resigned on 18 May 2019
Ms. Nguyen Dieu Linh	Chief Executive Officer	Resigned on 28 February 2019
Ms. Luu Thi Anh Xuan	Chief Executive Officer	Appointed on 28 February 2019
		Resigned on 18 May 2019
Mr. Douglas John Farrell	Deputy Chief Executive Officer	
Mr. Pham Van Khuong	Deputy Chief Executive Officer	
Mr. Nguyen Duc Quang	Deputy Chief Executive Officer	
Mr. Nguyen Vu Hung	Deputy Chief Executive Officer	Appointed on 15 April 2020
Ms. Dao Thi Thien Huong	Deputy Chief Executive Officer	Appointed on 10 January 2019
		Resigned on 15 July 2019
Mr. Nguyen Van Trai	Deputy Chief Executive Officer	Resigned on 15 April 2020
Ms. Phi Thi Thuc Nga	Deputy Chief Executive Officer	Resigned on 15 April 2020
Ms. Nguyen Ngoc Thuy Linh	Deputy Chief Executive Officer	Resigned on 6 June 2020

LEGAL REPRESENTATIVE

The legal representatives of the Company:

- ▶ up to 5 March 2019 are Mr. Pham Nhat Vuong, Chairman, Ms. Nguyen Dieu Linh, Chief Executive Officer and Mr. Nguyen Van Trai, Deputy Chief Executive Officer;
- ▶ from 6 March 2019 to 19 May 2019 are Ms. Nguyen Dieu Linh, Chairwoman, Ms. Luu Thi Anh Xuan, Chief Executive Officer and Mr. Nguyen Van Trai, Deputy Chief Executive Officer;
- ▶ from 20 May 2019 to 27 June 2019 are Ms. Nguyen Dieu Linh, Chairwoman, Mr. Pham Thieu Hoa, Chief Executive Officer and Mr. Nguyen Van Trai, Deputy Chief Executive Officer;
- ▶ from 28 June 2019 to 19 April 2020 are Ms. Nguyen Dieu Linh, Chairwoman, Mr. Pham Thieu Hoa, Chief Executive Officer, Mr. Nguyen Van Trai, Deputy Chief Executive Officer and Mr. Pham Van Khuong, Deputy Chief Executive Officer; and
- ▶ from 20 April 2020 to the date of this report are Ms. Nguyen Dieu Linh, Chairwoman, Mr. Pham Thieu Hoa, Chief Executive Officer, Mr. Nguyen Vu Hung, Deputy Chief Executive Officer and Mr. Pham Van Khuong, Deputy Chief Executive Officer.

AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.

Vinhomes Joint Stock Company

REPORT OF THE MANAGEMENT

Management of Vinhomes Joint Stock Company ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Company and its subsidiaries and of the consolidated results of operations and of the consolidated cash flows of the Company and its subsidiaries for the year. In preparing those consolidated financial statements, management is required to:

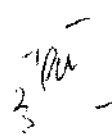

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company and its subsidiaries as at 31 December 2019 and of the consolidated results of its operations and its consolidated cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards.

For and on behalf of management: 

Phan Thi Huong
Chief Executive Officer

Hanoi, Vietnam

30 June 2020

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Reference: 60871645/21120223-HN-IFRS

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of Vinhomes Joint Stock Company

Opinion

We have audited the accompanying consolidated financial statements of Vinhomes Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Company and its subsidiaries"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 31 December 2019 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Vietnam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Financial assets at fair value through profit or loss

As of 31 December 2019, the financial assets measured at fair value through profit or loss relating to Business and Investment co-operation contracts ("BCCs"), as disclosed in Note 32, represents a significant portion of the Company and its subsidiaries' consolidated total assets. We considered the measurement of fair value of those financial assets to be a key audit matter because the valuation process of these financial assets requires significant judgment in determining the appropriate valuation methodology. Besides, calculations are complex and involve certain range of estimates, assumptions based on external and internal factors as assessed by management and the external appraisers of the Company and its subsidiaries.

Our audit procedures to address this matter, amongst others, included the involvement of our specialist in evaluating the methodologies and the assumptions used by the management and the Company and its subsidiaries' appraisers; the review of the relevant inputs, assumptions and estimates used in the valuation, assessment of the professional qualification, independence and objectivity of the Company and its subsidiaries' appraisers engaged in valuation process of fair value of these financial instruments; the review of the accounting treatments of gains or losses arising from changes in the fair values applied by management and the adequacy of relevant disclosures with respect to those financial instruments. The accounting policy and a discussion of significant judgment and estimates are presented in Notes 2 and 3, and detailed disclosure about the Company and its subsidiaries' financial assets at fair value through profit or loss are presented in Note 32 and Note 33 to the consolidated financial statements.

Application of IFRS 9

Given the complexity in requirements of IFRS 9, there is a significant risk pertaining to the application of IFRS 9 due to its higher inherent risk in terms of (a) classification and measurement of financial instruments; (b) valuation model for expected credit loss ("ECL") that involves a high level of estimation and complexity of inputs used in that model; and (c) specialised skills and knowledge in valuation are needed to evaluate the assumptions and the calculation.

As a result, our audit procedures, among others, included the review of the Company and its subsidiaries' process of classification and measurement of financial instruments in accordance with IFRS 9, the Company and its subsidiaries' identification of financial instrument contracts; testing the completeness of the contract population and testing the accuracy of samples selected; review of the Contractual cash-flow test and Business Model assessment performed by the Company and its subsidiaries; evaluation of the methodologies and the assumptions used by management in calculating the impact of ECL. The Company and its subsidiaries disclosed the relevant accounting policy and a discussion of significant judgment and estimates in Notes 2 and 3, and the detailed disclosure about the Company and its subsidiaries' financial instruments and its financial risk management objectives and policies in Notes 33 to the consolidated financial statements respectively.

Consolidation process

The Company is the holding company of a significant number of legal entities with diversified business portfolio. Accordingly, we considered the consolidation process as a key audit matter because of the inherent complexity involved due to wide range of merger transactions, fair value adjustments arising from business combinations, adjustments to non-controlling interests and other equity accounts, and voluminous intercompany transactions that require elimination in consolidating the financial information of the Company and its subsidiaries.

As part of our audit, among other audit procedures, we have obtained an understanding of the Company and its subsidiaries' consolidation process and controls in place for the preparation of the consolidated financial statements; we tested significant consolidation adjustments; and we obtained an understanding of the Company and its subsidiaries' process for identifying related parties and the reconciliation and elimination of intercompany balances and transactions. The Company presented the relevant disclosures on the Company's investees in Note 1, Note 5 and Note 6.

Adoption of IFRS 16

IFRS 16 Lease becomes effective for annual reporting periods beginning on or after 1 January 2019. For this first year of IFRS 16's effectiveness, the Company and its subsidiaries selected to adopt IFRS 16 using the modified retrospective method of adoption with the cumulative effect of initially applying the Standard recognised at the date of initial application. Given the complexity in requirements of IFRS 16, there is a significant risk pertaining to the adoption of IFRS 16 due to its higher inherent risk in terms of (1) Determination of whether a contract is a lease or contain lease component at inception; (2) Measurement of right-of-use ("ROU") assets and lease liability; (3) Accounting for sale and lease back transactions; and (4) Assessment of whether the lease transactions are fairly presented and disclosed in the consolidated financial statements.

Our audit procedures to address this matter, amongst others, included the understanding the Company and its subsidiaries' process for implementing IFRS 16; reviewing the Company and its subsidiaries' identification of lease contracts; testing the completeness of the contracts population and testing the accuracy of samples selected; reviewing the calculation of right-of-use and lease liabilities performed by the Company and its subsidiaries; reviewing the relevant disclosures in the consolidated financial statements; and the involvement of our specialist in evaluating the methodologies and the assumptions used by management. The relevant accounting policy and a discussion of significant judgment and estimates are presented in Notes 2 and 3, and detailed disclosure about the Company and its subsidiaries' ROU assets and Lease liabilities are presented in Note 24 to the consolidated financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company and its subsidiaries' financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

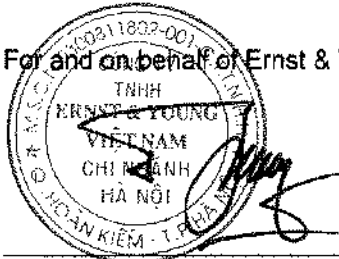
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For and on behalf of Ernst & Young Vietnam Limited



Le Vu Truong
Deputy General Director
Audit Practising Registration
Certificate No. 1588-2018-004-1

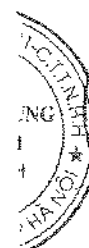
Hanoi, Vietnam

30 June 2020

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF PROFIT OR LOSS for the year ended 31 December 2019

		2019 VND million	2018 VND million
	Notes		
Revenue from contract with customers	7.1		
Sale of inventory property		48,865,131	37,085,327
Rendering general contractor, construction consultancy and supervision services		2,657,041	3,889,230
Rendering real estate management and related services		1,483,024	960,729
Retail outlets		-	8,155
Other revenue		160,216	123,951
Rental income			
Leasing of investment property and rendering of related services		1,113,647	816,437
Revenue		54,279,059	42,883,829
Cost of sales and services	7.2	(26,702,020)	(32,785,171)
Gross profit		27,577,039	10,098,658
Other operating income	7.3	6,636,113	12,838,100
Selling and distribution expenses	7.4	(2,064,107)	(1,361,189)
Administrative expenses	7.5	(1,902,511)	(1,291,402)
Other operating expenses	7.6	(155,506)	(146,589)
Operating profit		30,091,028	20,137,578
Finance income	7.7	2,531,950	1,712,463
Finance costs	7.8	(2,900,068)	(2,470,037)
Share in profit of associates		-	191
Profit before tax		29,722,910	19,380,195
Income tax expenses	8.1	(4,992,506)	(4,833,734)
Profit for the year		24,730,404	14,546,461
<i>Attributable to:</i>			
Equity holders of the parent		22,167,023	14,054,595
Non-controlling interests		2,563,381	491,866
Earnings per share (EPS):	9.1	VND	VND
► Basic, profit for the year attributable to ordinary equity holders of the parent		6,627	4,431
► Diluted, profit for the year attributable to ordinary equity holders of the parent		6,627	4,431



Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
Profit for the year		24,730,404	14,546,461
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Revaluation of financial asset at fair value through other comprehensive income (net of tax)	22	-	75,306
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	75,306
Other comprehensive income, net of tax		-	75,306
Total comprehensive income, net of tax		24,730,404	14,621,767
<i>Attributable to:</i>			
Equity holders of the parent		22,167,023	14,129,901
Non-controlling interests		2,563,381	491,866

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December 2019

	Notes	2019 VND million	2018 VND million
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	10	624,738	100,435
Intangible assets	11	765,207	1,092,602
Right-of-use assets	24	1,593,824	-
Completed investment property	12	6,722,948	5,762,345
Investment property under construction	13	28,808,443	18,119,989
Construction in progress	14	20,217	206,258
Long-term deposits and receivables from related parties	34	16,302,031	621,114
Other non-current assets	15	1,365,226	1,258,736
Financial assets at fair value through profit or loss	32	180,000	-
Deferred tax assets	8.2	544,256	424,603
Long-term prepayments		59,821	143,333
Total non-current assets		56,986,711	27,729,415
CURRENT ASSETS			
Inventories	16	61,683,792	34,956,245
Trade receivables	17	6,793,242	4,414,815
Short-term advances to suppliers	18	8,770,271	2,493,816
Amounts due from related parties	34	13,573,471	7,837,424
Short-term prepayments and other receivables	19	16,270,330	18,559,269
Short-term investments	20	16,139,347	5,388,173
Financial assets at fair value through profit or loss	32	9,921,710	16,404,901
Cash and cash equivalents	21	13,328,227	3,513,850
Total current assets		146,480,390	93,568,493
TOTAL ASSETS		203,467,101	121,297,908

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2019

	Notes	2019 VND million	2018 VND million
EQUITY AND LIABILITIES			
EQUITY	23		
Issued capital		33,495,139	33,495,139
Share premium		295,000	295,000
Treasury shares		(5,549,929)	-
Under common control reserve		1,270,988	1,270,988
Other reserve		3,014,147	3,114,933
Retained earnings		26,024,980	7,202,726
Equity attributable to equity holders of the parent		58,550,325	45,378,786
Non-controlling interests		8,580,806	4,908,653
Total equity		67,131,131	50,287,439
NON-CURRENT LIABILITIES			
Long-term interest-bearing loans and borrowings	26	7,385,732	18,933,847
Long-term customer's deposit		72,383	96,038
Long-term deferred revenues	29	1,286,692	1,460,577
Deferred tax liabilities	8.2	650,503	1,342,150
Long-term accruals	28.2	370,071	102,099
Warranty provisions	28.3	141,992	189,387
Long-term deferred revenue and payables to related parties	34	966,469	7,029,618
Long-term lease liabilities	24	746,848	-
Total non-current liabilities		11,620,690	29,153,716
CURRENT LIABILITIES			
Short-term interest-bearing loans and borrowings	25	18,162,354	5,020,307
Short-term lease liabilities	24	308,605	-
Trade payables		5,530,098	2,173,771
Deposits and down payment from customers	27	75,505,897	19,652,255
Short-term deferred revenues	29	468,214	475,450
Short-term borrowings, deposits from and payables to related parties	34	1,552,069	3,184,885
Short-term accruals	28.1	12,658,386	5,919,431
Corporate income tax payable		1,926,657	2,121,043
Other current liabilities	30	8,603,000	3,309,611
Total current liabilities		124,715,280	41,856,753
Total liabilities		136,335,970	71,010,469
TOTAL EQUITY AND LIABILITIES		203,467,101	121,297,908

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2019

For the year ended 31 December 2019:

	Attributable to the equity holders of the parent						Non-controlling interests VND million	Total VND million	Total equity VND million
	Issued capital VND million	Share premium VND million	Treasury shares VND million	Under common control reserve VND million	Other reserve VND million	Retained earnings VND million			
As at 1 January 2019 as previously reported	33,495,139	295,000	-	1,270,988	3,114,933	7,202,726	4,908,653	45,378,786	50,287,439
Impact of adoption of IFRS 18 (Note 2.4)	-	-	-	-	-	(10,111)	-	(10,111)	(10,111)
As at 1 January 2019 as restated	33,495,139	295,000	-	1,270,988	3,114,933	7,192,615	4,908,653	45,368,675	50,277,328
Profit for the year	-	-	-	-	-	22,167,023	2,563,381	22,167,023	24,730,404
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	22,167,023	2,563,381	22,167,023	24,730,404
Dividends paid (Note 9.2)	-	-	-	-	-	(3,349,514)	(492,746)	(3,349,514)	(3,842,260)
Acquisition of new subsidiaries (Note 5.2)	-	-	-	-	-	-	1,719,350	-	1,719,350
Increase in equity interest in subsidiaries	-	-	-	-	-	56,191	(56,191)	56,191	-
Decrease in equity interest in subsidiaries	-	-	-	-	-	(41,335)	41,335	(41,335)	-
Disposal of a subsidiary	-	-	-	-	-	-	(76,084)	-	(76,084)
Acquisition of treasury shares (Note 23)	-	-	(5,549,929)	-	-	-	-	(5,549,929)	(5,549,929)
Other decreases	-	-	-	-	(100,766)	-	(28,882)	(100,766)	(127,668)
As at 31 December 2019	33,495,139	295,000	(5,549,929)	1,270,988	3,014,147	26,024,980	8,580,806	58,550,325	67,131,131

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued) for the year ended 31 December 2019

For the year ended 31 December 2018:

	Attributable to the equity holders of the parent						Non-controlling interests VND million	Total equity VND million
	Issued capital VND million	Share premium VND million	Under common control reserve VND million	Other reserve VND million	Retained earnings VND million	Total VND million		
As at 31 December 2017	2,000,000	-	(99,118)	807,409	8,797,145	11,505,436	3,217,871	14,723,307
Effect of adoption of new accounting standard	-	-	-	-	(36,532)	(36,532)	-	(36,532)
As at 1 January 2018	2,000,000	-	(99,118)	807,409	8,750,613	11,468,904	3,217,871	14,686,775
Profit for the year	-	-	-	-	14,054,595	14,054,595	491,866	14,546,461
Other comprehensive income	-	-	-	75,306	-	75,306	-	75,306
Total comprehensive income	-	-	-	75,306	14,054,595	14,129,901	491,866	14,621,767
Additional shares issued	12,000,000	-	-	-	-	12,000,000	-	12,000,000
Shares issued to acquire subsidiaries	10,365,000	295,000	-	-	-	10,660,000	-	10,660,000
Stock dividends (Note 9.2)	10,699,024	-	1,723,915	-	(10,699,024)	-	174,868	12,558,753
Dividends paid (Note 9.2)	-	-	-	-	(900,000)	(900,000)	(45,277)	(945,277)
Decrease due to demerger	(1,588,885)	-	-	-	(5,922,539)	(7,491,424)	-	(7,491,424)
Acquisition of new subsidiaries	-	-	(402,742)	-	-	(402,742)	2,542,301	2,139,559
Acquisition of non-controlling interests in existing subsidiaries	-	-	-	-	475	475	(1,683,632)	(1,683,157)
Partial disposal of equity interest in existing subsidiaries without loss of control	-	-	-	-	(62,243)	(62,243)	62,243	-
Capital contribution from non- controlling interest	-	-	-	-	-	-	240,978	240,978
Day 1 difference on financial asset at fair value through profit or loss (Note 3.2)	-	-	-	3,019,444	-	3,019,444	-	3,019,444
Derecognition of financial asset at fair value through profit or loss	-	-	-	(87,634)	-	(87,634)	-	(87,634)
Recycle of gain on remeasurement of investment in equity instruments at fair value through other comprehensive income	-	-	-	(1,044,093)	1,044,093	-	-	-
Realisation of deferred tax liability on disposal of investment in equity instruments at fair value through other comprehensive income	-	-	-	208,819	975,889	1,184,508	-	1,184,508
Disposal of a subsidiary	-	-	48,933	-	(48,933)	-	(82,566)	(82,566)
Other decreases	-	-	-	135,682	-	135,682	-	135,682
As at 31 December 2018	33,495,139	295,000	1,270,986	3,114,933	7,202,726	45,378,786	4,908,653	50,287,439

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 December 2019

		2019 VND million	2018 VND million
	Notes		
OPERATING ACTIVITIES			
Profit before tax		29,722,910	19,380,195
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation, amortisation and impairment		466,766	259,593
Net foreign exchange differences		(899)	(1,414)
Gain on disposal of property and equipment, and investment property	7.3	(96,641)	(164)
Reversal of provision		(19,267)	(6,094)
Net gain from disposal of investments	7.3, 7.6	(1,492,806)	(3,524,838)
Interest income	7.7	(2,376,941)	(1,541,300)
Interest expense	7.8	2,377,698	2,382,622
Changes in amortised cost of loans, receivables and payables other than nominal interest		197,131	(87,191)
Net gain on financial asset at fair value through profit or loss	7.3	(4,914,251)	(9,180,193)
Share in profit of associate		-	(191)
Working capital adjustments:			
(Increase)/decrease in trade and other receivables		(5,856,663)	5,542,502
(Increase)/decrease in inventories		(4,872,101)	12,608,098
Increase/(decrease) in trade and other payables		51,875,747	(21,701,183)
(Increase)/decrease in prepayments		(2,903,223)	393,901
Interest paid		(3,501,300)	(2,579,917)
Income tax paid		(6,102,455)	(3,407,626)
Net cash flows from/(used in) operating activities		52,503,705	(1,463,200)

Vinhomes Joint Stock Company

CONSOLIDATED STATEMENT OF CASH FLOWS (continued) for the year ended 31 December 2019

	Notes	2019 VND million	2018 VND million
INVESTING ACTIVITIES			
Purchase of property and equipment, investment property, investment property under construction and construction in progress		(3,846,972)	(750,555)
Deposits and capital contribution for investment in potential real estate projects		(25,606,208)	(29,506,467)
Return of deposits paid for investment in potential real estate projects		10,201,588	-
Disbursements of loans		(11,715,930)	(13,352,891)
Collections of loans		27,822,262	19,449,598
Short-term/long-term deposit for interest gain		(2,361,080)	(586,751)
Redemption of short-term deposit for interest gain		2,939,757	545,891
Payment for acquisition of subsidiaries and equity interest in other entities		(19,559,996)	(21,340,358)
Proceeds from disposal of subsidiaries, equity investments in other entities		2,647,328	17,126,015
Proceeds from disposals of fixed assets, investment properties and other long-term assets		205,848	1,618,545
Deposits for purchasing shares in other entities		(9,123,420)	-
Collection of deposits for purchasing shares in other entities		6,719,985	5,110,000
Proceeds from transfer rights and obligations related to deposit of share transfer agreement		-	4,180,000
Return of deposits received for investment in potential real estate projects		(6,875,000)	-
Dividend received		500	-
Interest received		1,231,561	1,113,713
Net cash flows used in investing activities		(27,319,777)	(16,393,260)
FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	12,000,000
Capital contribution from minority interest		-	240,979
Dividend paid to equity holders of the parent		(3,349,514)	(900,000)
Dividend paid to non-controlling interests		(337,038)	(45,277)
Purchase of treasury shares		(5,549,929)	-
Payment of principal portion of lease liabilities		(575,296)	-
Payment for acquisition of additional interest in existing subsidiaries		-	(1,430,456)
Proceeds from borrowings		6,847,057	100,191,076
Repayment of borrowings		(12,402,281)	(90,227,832)
Net cash flows (used in)/from financing activities		(15,367,001)	19,828,490
Net increase in cash and cash equivalents		9,816,927	1,972,030
Cash and cash equivalents at 1 January		3,513,850	1,543,343
Impact of exchange rate fluctuation		-	-
Impact of provision for expected credit loss		(2,550)	(1,523)
Cash and cash equivalents at 31 December	21	13,328,227	3,513,850

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION

Vinhomes Joint Stock Company ("the Company") is a joint stock company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 0103022741 issued by the Hanoi Department of Planning and Investment on 6 March 2008 and the Enterprise Registration Certificate No. 0102671977 dated 5 August 2010 on registration of a shareholding company. The Company also subsequently received amended Enterprise Registration Certificates with the 30th amendment dated 12 June 2020 as the latest.

The current principal activities of the Company are to develop real estate property for sale, provide leasing of offices, render real estate management and related services, provide general contractor services, consulting and designing construction services, supervision and construction management services.

The Company's head office is located at Symphony Office Tower, Chu Huy Man Street, Vinhomes Riverside Eco-Urban Area, Phuc Loi Ward, Long Bien District, Hanoi, Vietnam.

Vingroup JSC is the Company's parent. Vingroup JSC and its subsidiaries are hereby referred as the Group.

The Company's normal course of business cycle of real estate development activity begins when the Company receives investment certificate, carries out land clearance and construction works until the project is completed. Accordingly, the normal course of business cycle of real estate development activity ranges from 12 months to 36 months.

The Company's normal course of business cycle of other activities is normally within 12 months.

The number of the Company's employees as at 31 December 2019: 7,116 (31 December 2018: 6,258).

The accompanying consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 30 June 2020.

Corporate structure

As at 31 December 2019, the Company has 18 subsidiaries (as at 31 December 2018: 18 subsidiaries). The information on these subsidiaries, along with the Company's direct and indirect voting rights and direct and indirect equity interest in each subsidiary is as follows:

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

No.	Name	Short name	As at 31 December 2019			As at 31 December 2018			Registered office's address	Principal activities	Note
			Voting right (%)	Equity interest (%)		Voting right (%)	Equity interest (%)				
1	Gia Lam Urban Development and Investment LLC (*)	Gia Lam LLC	85.00	83.95		85.00	83.95	No. 7 Bang Lang 1 Street, Vinhomes Riverside Eco-Urban Area, Viet Hung Ward, Long Bien District, Hanoi	Investing, developing and trading real estate properties		
2	Ecology Development and Investment JSC (*)	Ecology JSC	99.18	98.76		99.18	98.76	No. 191 Ba Trieu Street, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi	Investing, developing and trading real estate properties		
3	Vietnam Investment and Consulting Investment JSC (*)	Vietnam Investment JSC	69.50	68.64		69.50	68.64	No. 191 Ba Trieu Street, Le Dai Hanh Ward, Hai Ba Trung District, Hanoi	Investing, developing and trading real estate properties		
4	Can Gio Tourist City Corporation (*)	Can Gio JSC	99.89	98.56		99.89	99.89	No. 72 Le Thanh Ton Street, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties		(i)
5	Tay Tang Long Real Estate LLC	Tay Tang Long LLC	90.00	90.00		90.00	90.00	No. 72 Le Thanh Ton Street, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties		
6	Berjaya Vietnam International University Township LLC (*)	Berjaya VIUT LLC	97.90	88.17		97.90	97.89	20A Floor, Dong Khoi Vincom Center, No. 72 Le Thanh Ton, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties		(i)
7	Royal City Real Estate Development and Investment JSC	Royal City JSC	57.85	57.85		57.85	57.85	No. 72A Nguyen Trai Street, Thuong Dinh Ward, Thanh Xuan District, Hanoi	Investing, developing and trading real estate properties		
8	Lang Van Development and Investment JSC (*)	Lang Van JSC	99.00	95.82		99.00	95.82	No. 7 Truong Sa Street, Hoa Hai Ward, Ngu Hanh Son District, Da Nang City	Investing, developing and trading real estate properties		

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

No.	Name	Short name	As at 31 December 2019			As at 31 December 2018			Registered office's address	Principal activities	Note
			Voting right (%)	Equity interest (%)		Voting right (%)	Equity interest (%)				
9	Metropolis Hanoi LLC	Metropolis Hanoi LLC	100.00	100.00		100.00	100.00		HH land area, Pham Hung Street, Me Tri Ward, Nam Tu Liem District, Hanoi	Investing, developing and trading real estate properties	
10	Berjaya Vietnam Financial Center LLC (*)	Berjaya VFC LLC	67.50	60.78		67.50	67.50		20A Floor, Dong Khoi Vincom Center, No. 72 Le Thanh Ton, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties	(i)
11	Thai Son Investment and Construction JSC (*)	Thai Son JSC	100.00	90.06		100.00	99.99		No. 290 Nam Ky Khoi Nghia Street, Ward 8, District 3, Ho Chi Minh city	Investing, developing and trading real estate properties	(i)
12	Millenium Trading Investment and Development LLC	Millenium LLC	100.00	100.00		100.00	100.00		20A Floor, Dong Khoi Vincom Center, No. 72 Le Thanh Ton, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties	
13	GS Cu Chi Development JSC (*)	GS Cu Chi JSC	100.00	99.89		100.00	99.90		20A Floor, Dong Khoi Vincom Center, No. 72 Le Thanh Ton, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties	(i)
14	Phu Gia Property Trading Limited Liability Company (*) (**)	Phu Gia LLC	98.00	96.79		98.00	96.79		No. 63 Hang Ga Street, Hang Bo Ward, Hoan Kiem District, Hanoi	Investing, developing and trading real estate properties	
15	An Thinh Trading and Commercial Development JSC	An Thinh JSC	85.00	85.00		85.00	85.00		20A Floor, Dong Khoi Vincom Center, No. 72 Le Thanh Ton, Ben Nghe ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties	(ii)

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

No.	Name	Short name	As at 31 December 2019				Registered office's address	Principal activities	Note
			Voting right (%)	Equity interest (%)	Voting right (%)	Equity interest (%)			
16	Delta JSC (*)	Delta JSC	100.00	99.34	-	-	110 Dang Cong Binh, 6 th Hamlet, Xuan Thoi Thuong Ward, Hoc Mon District, Ho Chi Minh City	Investing, developing and trading real estate properties	(iii)
17	Green City Development JSC	Green City JSC	90.00	90.00	-	-	No. 72 Le Thanh Ton, Ben Nghe Ward, District 1, Ho Chi Minh City	Investing, developing and trading real estate properties	(i)
18	MV Viet Nam Real Estate Trading JSC (*)	MV Real Estate JSC	99.82	89.84	-	-	4 th Floor, Vincom Mall Thao Dien, 161 Ha Noi highway, Thao Dien Ward, District 2, Ho Chi Minh City	Investing, developing and trading real estate properties	(iv)
19	Prime Land Real Estate Development JSC	Prime Land JSC	-	-	92.47	92.37	No. 7 Bang Lang 1 Street, Vinhomes Riverside Eco-Urban Area, Viet Hung Ward, Long Bien, Hanoi	Investing, developing and trading real estate properties	(v)
20	West Hanoi Urban Development and Trading Investment LLC	West Hanoi LLC	-	-	100.00	99.99	T4-L2-10 Times City, No. 458 Minh Khai Street, Vinh Tuy Ward, Hai Ba Trung District, Hanoi	Investing, developing and trading real estate properties	(vi)
21	Dat Rong Vang Investment and Construction LLC	Dat Rong Vang LLC	-	-	100.00	99.99	No. 290 Nam Ky Khoi Nghia Street, Ward 8, District 3, Ho Chi Minh City	Investing, developing and trading real estate properties	(vi)

(*) The equity interest in these subsidiaries differs from voting right since the Company controls over these subsidiaries indirectly through other subsidiaries.

(**) This company is in the process of completing dissolution procedures.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION (continued)

Corporate structure (continued)

- (i) On 1 July 2019, the Company and its subsidiary completed the acquisition of 90% shares of Green City JSC from counterparties with total consideration of VND15,474 billion. Thereby, Green City JSC became a subsidiary of the Company.

On 1 October 2019, the Company disposed all of its equity interest in Thai Son JSC to Green City JSC. At the date of this transaction, Thai Son owned equity interests in Berjaya VFC LLC, Berjaya VIUT LLC, Can Gio JSC and Can Gio JSC owned equity interests in GS Cu Chi JSC. Accordingly, the equity interests in these subsidiaries were reduced but the Company and its subsidiaries did not lose the control in these subsidiaries.

- (ii) On 11 December 2019, the Company completed the capital contribution amounting to VND17 billion, equivalent to 85% of total capital contribution in An Thinh JSC.
- (iii) On 8 July 2019, the Company and its subsidiaries completed the acquisition of 100% shares of Delta JSC from counterparties with total consideration of VND4,920 billion. Thereby, Delta JSC became a subsidiary of the Company.
- (iv) The Company and its subsidiaries are in the process of completing capital contribution procedures for establishment of this company pursuant to Capital Contribution Agreement No 2512/2019/HDGV.
- (v) On 28 March 2019, the Company and a subsidiary have disposed all shares in Prime Land JSC for total consideration of VND2,413 billion to counterparties. Accordingly, Prime Land JSC is no longer a subsidiary of the Company.
- (vi) On 28 May 2019, Dat Rong Vang LLC and West Hanoi LLC were merged to Thai Son JSC. As a result, Dat Rong Vang LLC and West Hanoi LLC were dissolved, while Thai Son JSC is the surviving entity.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. *Basis of preparation*

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value and certain recognised financial assets and financial liabilities measured at amortised cost. For the purpose of preparing the consolidated financial statements for the year ended 31 December 2019, all amounts are rounded to the nearest million and presented in Vietnam dong million ("VND million").

The consolidated financial statements provide comparative information in respect of the previous years.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019 and for the year then ended. Control is achieved when the Company and its subsidiaries are exposed, or have rights, to variable returns from its involvement with the investee and have the ability to affect those returns through its power over the investee. Specifically, the Company and its subsidiaries control an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company and its subsidiaries have less than a majority of the voting or similar rights of an investee, the Company and its subsidiaries consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company and its subsidiaries' voting rights and potential voting rights.

The Company and its subsidiaries re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company and its subsidiaries obtain control over the subsidiary and ceases when the Company and its subsidiaries lose control of the subsidiary. Assets, liabilities, incomes and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company and its subsidiaries gain control until the date the Company and its subsidiaries cease to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and its subsidiaries and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Company and its subsidiaries' accounting policies. All intra-group assets, liabilities, equity, incomes, expenses and cash flows relating to transactions between members of the Company and its subsidiaries are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company and its subsidiaries lose control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. Any difference resulting from the remeasurement of the investment retained is recognised in the consolidated statement of profit or loss.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies

a) Operating segments

A segment is a component determined separately by the Company and its subsidiaries which:

- ▶ Engages in business activities from which it may earn revenues and incur expenses;
- ▶ Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- ▶ For which discrete financial information is available.

The Company and its subsidiaries' revenues are derived mainly from real estate business, which comprises the sale of inventory properties and rendering real estate management service, while other revenues form a small proportion of the Company's total revenues. Other than real estate business, there is no other segment whose reported revenue, reported profit or loss or assets are 10% or more of the combined revenue, profit or loss or assets, respectively, of all operating segments. As a result, the Company's management is of the view that there is only one segment for business and therefore presentation of segmental information is not required. In addition, management defines the Company and its subsidiaries' geographical segments to be based on the location of the assets which is in Vietnam.

b) Property acquisitions and business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The basis of the judgement is set out in Note 3.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill is recognised. Otherwise, the acquisitions are accounted for as business combinations.

c) Business combinations and goodwill

Business combinations, other than business combination under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Company and its subsidiaries elect to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets at acquisition date. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Company and its subsidiaries acquire a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any result in gain or loss is recognised in the consolidated statements of profit or loss. It is then considered in the determination of goodwill.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

c) Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised in the consolidated statements of profit or loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company and its subsidiaries re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statements of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each CGU that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operations and the portion of the CGU retained.

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for as follows:

- ▶ The assets and liabilities of the combined entities are reflected at the amounts reflected in the Parent Company's consolidated financial statements at the date of business combination;
- ▶ The consolidated statements of profit or loss reflect the results of the entities from the date of the business combination; and
- ▶ No goodwill is recognised from the business combination. Any difference between the consideration paid and the net assets of the acquiree is recorded as part of the "Under common control reserve" account in the consolidated statements of changes in equity.

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

d) *Investment in associate*

An associate is an entity over which the Company and its subsidiaries have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company and its subsidiaries' investment in its associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company and its subsidiaries' share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor separately tested for impairment.

The consolidated statements of profit or loss reflect the Company and its subsidiaries' share of the results of operations of the associate. Any changes in OCI of the associate are presented as part of the Company and its subsidiaries' OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company and its subsidiaries recognise its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Company and its subsidiaries and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company and its subsidiaries' share of profit or loss of the associate is shown on the face of the consolidated statements of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company and its subsidiaries. When necessary, adjustments are made to bring the accounting policies in line with those of the Company and its subsidiaries.

After application of the equity method, the Company and its subsidiaries determine whether it is necessary to recognise an impairment loss on its investment in its associates. At each reporting date, the Company and its subsidiaries determine whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company and its subsidiaries calculate the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share in profit/(loss) of associate' in the consolidated statements of profit or loss.

Upon loss of significant influence over the associate, the Company and its subsidiaries measure and recognise any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statements of profit or loss.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

e) Current versus non-current classification

The Company and its subsidiaries present assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company and its subsidiaries classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

f) Fair value measurement

The Company and its subsidiaries measure certain financial instruments at fair value at each financial reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company and its subsidiaries.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company and its subsidiaries use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

f) Fair value measurement (continued)

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Company and its subsidiaries determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

g) Revenue recognition

(a) Revenue from contracts with customers

The Company and its subsidiaries recognise revenue when it transfers control over a product or service to a customer. The Company and its subsidiaries assess its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company and its subsidiaries have concluded that it is the principal in all of its revenue arrangements, except for revenue from arrangements in which the Company and its subsidiaries are not the primary obligor, have no pricing latitude, and are not exposed to inventory and credit risks.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

g) *Revenue recognition* (continued)

(a) *Revenue from contracts with customers* (continued)

The specific recognition criteria below must also be met before revenue is recognised:

Sale of completed property

The Company and its subsidiaries develop and sell real estate properties. The Company and its subsidiaries recognise revenue when the Company and its subsidiaries satisfy an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Company and its subsidiaries determine, at contract inception, whether the Company and its subsidiaries will transfer control of a promised good or service over time. If the Company and its subsidiaries do not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

(i) Variable consideration

Contracts for the sale of completed property provide customers with an early payment discount and penalty payments.

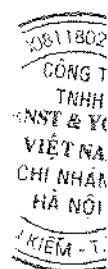
Where consideration in respect of a contract is variable, revenue can only be recognised to the extent that it is highly probable that the cumulative amount of revenue recognised in respect of a contract will not be subject to a significant reversal when the uncertainty associated with the variable considerations is subsequently resolved (this is referred to as the "constraint" requirements). As a result, the Company and its subsidiaries have applied the new constraint requirements in estimating the amount of variable consideration included in the transaction price compared to the variable consideration previously included.

1. Early payment discount

At contract inception, customers were given an option to choose whether they will pay in lump sum or instalment using their own cash funds. When a customer chooses to pay in lump sum, a discount is given to them at contract inception. The Company and its subsidiaries recognised the early payment as a reduction in revenue when the revenue is recognised.

2. Penalty payment

In the event that a customer violates any of his payment obligations according to the contract the Company and its subsidiaries, at its own discretion, has the right to demand from the customer a penalty equivalent to 10% (ten percent) of the total residence selling price. The Company and its subsidiaries recognised the penalty payment as part of other income.



Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

g) Revenue recognition (continued)

(a) Revenue from contracts with customers (continued)

(ii) Consideration payable to customers

Consideration payable to customers includes cash amounts that the Company and its subsidiaries pay or expect to pay to the customer and also includes credit or other items that can be applied against amounts owed to the Company and its subsidiaries. The Company and its subsidiaries account for the consideration payable as a reduction to the transaction price, and therefore to revenue, unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company and its subsidiaries. The Company and its subsidiaries recognise the reduction to revenue at the later of either of the following events, (i) when the Company and its subsidiaries recognise revenue for the transfer of the related goods or services and (ii) when the Company and its subsidiaries pay or promise to pay the consideration payable to customers. The consideration payable to customers includes the interest support program.

Interest support program

The Company and its subsidiaries have an interest support program for its customers who pay upfront for the property using bank loans. The interest payable on the loans are paid for by the Company and its subsidiaries directly to the bank for a period of 12-36 months. The interest payments that will be made by the Company and its subsidiaries are recognised as reduction to transaction price.

(iii) Significant financing component

The Company and its subsidiaries offer pre-completed properties to its customers and receive advance payments from customers prior to the transfer of control over properties. The transaction price for such contracts is adjusted for the effects of time value of money since the timing of payments provides the Company and its subsidiaries with a significant benefit of financing the transfer of the property to the customer.

Rendering of services

Revenue from real estate management and related services, general contractor, construction consultancy and supervision services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.



Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

g) Revenue recognition (continued)

(a) Revenue from contracts with customers (continued)

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from sale of inventory properties because the receipt of consideration is conditional on successful transfer of land use rights certification to customers. Upon transfer of land use rights certification and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section j) Financial instruments – initial recognition and subsequent measurement.

Trade receivables

A receivable represents the Company and its subsidiaries' right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section j) Financial instruments – initial recognition and subsequent measurement.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company and its subsidiaries have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company and its subsidiaries transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company and its subsidiaries perform under the contract.

Cost to obtain a contract

The Company and its subsidiaries pay sales commission to agents related to its sale of inventory properties. The Company and its subsidiaries capitalise these incremental costs to obtain a contract and then amortise on a systematic basis that is consistent with the transfer of the inventory properties to the customer.

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

g) Revenue recognition (continued)

(b) Other revenue out of scope of IFRS 15

Revenue from leasing activities

Rental income from operating leases except for contingent rental income is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statements of profit or loss when the right to receive them arises.

Service charges and expenses recoverable from tenants

Income arising from service charges and expenses charged to tenants are recognised in the period in which those charges are earned.

h) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the country where the Company and its subsidiaries operate and generate taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

h) Taxes (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except for:

- ▶ When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- ▶ When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Company and its subsidiaries offset deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

h) Taxes (continued)

Deferred tax (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances change. The adjustment would either be treated as a reduction in goodwill if it was incurred during the measurement period or recognised in the consolidated statements of profit or loss.

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

i) Foreign currencies

The consolidated financial statements are presented in VND. For each entity, the Company and its subsidiaries determine the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company and its subsidiaries at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

j) *Financial instruments – initial recognition and subsequent measurement*

i) **Financial assets**

Initial recognition and measurement

The Company and its subsidiaries recognise financial instruments when, and only when, the Company and its subsidiaries become a party to the contractual terms of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company and its subsidiaries commit to purchase or sell the asset.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company and its subsidiaries recognise the difference between the transaction price and fair value in profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Subsequent measurement

For purposes of subsequent measurement, the Company and its subsidiaries classify all of its financial assets, at initial recognition, into four categories:

- ▶ Financial assets at amortised cost (debt instruments);
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- ▶ Financial assets at fair value through profit or loss ("FVPL").

The Company and its subsidiaries classify and measure its derivative and trading portfolio at FVPL. The Company and its subsidiaries may designate financial instruments at FVPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

j) *Financial instruments – initial recognition and subsequent measurement* (continued)

i) *Financial assets* (continued)

Subsequent measurement (continued)

Business model assessment

The Company and its subsidiaries determine its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company and its subsidiaries' business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- ▶ How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- ▶ The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- ▶ How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- ▶ The expected frequency, value and timing of sales are also important aspects of the Company and its subsidiaries' assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company and its subsidiaries' original expectations, the Company and its subsidiaries do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

Contractual Cash Flows Assessment

For each financial asset, the Company and its subsidiaries assess the contractual terms to identify whether the instrument is consistent with the concept of solely payment of principal and interest ("SPPI").

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company and its subsidiaries apply judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Company and its subsidiaries' business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

J) Financial instruments – initial recognition and subsequent measurement (continued)

I) Financial assets (continued)

Subsequent measurement (continued)

Debt instruments at amortised cost

The Company and its subsidiaries measure its financial assets at amortised cost if both of the following conditions are met:

- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are SPP; and
- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ("EIR") method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statements of profit or loss. The losses arising from impairment are recognised in the consolidated statements of profit or loss in administrative expenses.

This category generally applies to Cash and cash equivalents, Short-term investments, Trade Receivables excluding contract assets, Amounts due from related parties and Other financial assets.

Debt instruments at FVOCI

The Company and its subsidiaries measure its financial assets at FVOCI when both of the following conditions are met:

- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI; and
- ▶ The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling the financial assets.

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains and losses recognised in OCI. Impairment losses on such financial assets are accounted for as an adjustment to the unrealised gains and losses in OCI, with a corresponding charge to profit or loss. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for debt instruments at amortised cost.

Where the Company and its subsidiaries hold more than one investment in the same security, they are deemed to be disposed on a first-in first-out basis. On derecognition, unrealised gains or losses previously recognised in OCI are reclassified from OCI to profit or loss under operating income.

As at 31 December 2019, the Company and its subsidiaries have no debt instruments at FVOCI.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

j) *Financial instruments – initial recognition and subsequent measurement* (continued)

i) *Financial assets* (continued)

Subsequent measurement (continued)

Equity securities at FVOCI

Upon initial recognition, the Company and its subsidiaries may irrevocably elect to classify and measure some of its equity securities (except for investment in Phat Loc LLC) as at FVOCI, which are neither held for trading nor are contingent consideration in a business combination. Such classification is determined on an instrument-by-instrument basis.

After initial measurement, such equity securities are subsequently measured at fair value with unrealised gains and losses recognised in OCI with credit to other reserve. Gains and losses on these equity securities are never recycled to profit or loss. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company and its subsidiaries benefit from such proceeds as a recovery of part of the cost of the instrument, in which case, such dividends are recorded in OCI. Equity securities at FVOCI are not subject to an impairment assessment.

As at 31 December 2019, the Company and its subsidiaries measure equity instruments at FVOCI (except for investment in Phat Loc LLC, SV Real Estate JSC and SV West Hanoi JSC) (Note 15).

Financial assets at FVPL

This category represents the 'residual' category if the requirements to be measured at amortised cost or at FVOCI are not met. Financial assets at FVPL will include those that are held for trading (both debt and equity instrument), or for which the entity's business model is to manage the financial asset on a fair value basis, i.e., to realise the asset through sales as opposed to holding the asset to collect contractual cash flows, or the contractual cash flows arising from the instrument is not SPPI. Financial assets at FVPL are subsequently measured at fair value with net changes in fair value recognised in profit or loss as other operating income.

As at 31 December 2019, the Company and its subsidiaries classify investments in several real estate projects, Phat Loc LLC, SV Real Estate JSC and SV West Hanoi JSC as financial assets at FVPL (Note 32).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets and contract assets

The Company and its subsidiaries record the allowance for expected credit losses ("ECL") for all loans and other debt financial assets not measured at FVPL, together with loan commitments and financial guarantee contracts (all referred to as 'financial instruments' in this section). Equity instruments are not subject to impairment under IFRS 9.

ECLs are measured in a way that reflects the following:

- ▶ an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- ▶ the time value of money; and
- ▶ reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECL allowance is based on the credit losses expected to arise over the life of the asset (Lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL).

The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both 12-month ECL and Lifetime ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Loss allowances are recognised based on 12-month ECL for debt instruments that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- ▶ the financial instrument has a low risk of default;
- ▶ the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
- ▶ adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company and its subsidiaries have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets and contract assets (continued)

Based on the above process, the Company and its subsidiaries classify credit exposures into Stage 1, Stage 2, Stage 3 and Purchased or originated credit impaired ("POCI"), as described below:

- ▶ Stage 1: When financial assets are first recognised, the Company and its subsidiaries recognise an allowance based on 12-month ECL. Stage 1 financial assets also include facilities where the credit risk has improved and the financial assets have been reclassified from Stage 2. An instrument is considered to be no longer in default (i.e., to have cured) and therefore reclassified out of Stage 3 when it no longer meets any of the default criteria. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.
- ▶ Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company and its subsidiaries records an allowance for the Lifetime ECL. Stage 2 financial assets also include facilities, where the credit risk has improved and the financial assets have been reclassified from Stage 3. An instrument is considered to be no longer in default (i.e., to have cured) and therefore reclassified out of Stage 3 when it no longer meets any of the default criteria. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.
- ▶ Stage 3: Financial assets considered credit-impaired. The Company and its subsidiaries record an allowance for the Lifetime ECL.
- ▶ POCI: POCI assets are financial assets that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial Instruments – Initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets and contract assets (continued)

In determining whether there is a significant deterioration or improvement in the credit risk of a financial instrument, the Company and its subsidiaries will make an assessment based on a mixture of qualitative and quantitative factors, both taking into account the actual circumstances affecting the instrument. The Company and its subsidiaries will also consider the illustrative indicators identified by the standard in this assessment:

- ▶ An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date;
- ▶ Regardless of the way in which an entity assesses significant increases in credit risk, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. An entity can rebut this presumption if the entity has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. When an entity determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply;
- ▶ An actual or expected significant change in the financial instrument's external credit rating;
- ▶ An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- ▶ Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations;
- ▶ An actual or expected significant change in the operating results of the borrower; and
- ▶ Other factors.

The Company and its subsidiaries consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

J) Financial Instruments – initial recognition and subsequent measurement (continued)

I) Financial assets (continued)

Impairment of financial assets and contract assets (continued)

Definition of default and credit-impaired financial assets

The Company and its subsidiaries define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

► Quantitative criteria

- The Company and its subsidiaries consider the use of the 90-day past due rebuttable presumption, as allowed by the standard.

► Qualitative criteria

The customer meets unlikelyness to pay criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- The customer is experiencing financial difficulty or is insolvent;
- The customer is in breach of financial covenant(s);
- An active market for that financial assets has disappeared because of financial difficulties;
- Concessions have been granted by the Company and its subsidiaries, for economic or contractual reasons relating to the customer's financial difficulty; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

The criteria above have been applied to the financial instruments held by the Company and its subsidiaries and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company and its subsidiaries' expected loss calculation.

An instrument is considered to be no longer in default (i.e. to have cured) and therefore reclassified out of Stage 3 when it no longer meets any of the default criteria. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Company and its subsidiaries reclassify an asset to Stage 1 when the credit grade of an asset becomes equivalent to 'investment grade', or has increased by at least two notches when the credit grade at the time of default is equivalent to 'investment grade'.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

j) *Financial instruments – initial recognition and subsequent measurement* (continued)

i) *Financial assets* (continued)

Impairment of financial assets and contract assets (continued)

Definition of default and credit-impaired financial assets (continued)

The Company and its subsidiaries write-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Company and its subsidiaries write off an account when all of the following conditions are met:

- ▶ the asset is already an item-in-litigation with any of the following:
 - no properties of the borrower could be attached;
 - the whereabouts of the borrower cannot be located;
 - it would be more expensive for the Company and its subsidiaries to follow-up and collect the amount, hence the Company and its subsidiaries have ceased enforcement activity; and
 - collections can no longer be made due to insolvency of bankruptcy of the borrower.
- ▶ restructuring is no longer possible; and
- ▶ filing of legal case is not possible.

Significant increase in credit risk

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors.

The Company and its subsidiaries' financial assets subject to ECL under the general approach or their benchmark are graded by globally recognised credit rating agencies such as S&P, Moody's and Fitch. It is the Company and its subsidiaries' policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the Lifetime ECL. The Company and its subsidiaries use the ratings from these credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

Using its expert credit judgement and, where possible, relevant historical experience, the Company and its subsidiaries may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets and contract assets (continued)

Significant increase in credit risk (continued)

The Company and its subsidiaries monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increase in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset falls below an investment grade; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Measurement of expected credit losses

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls over the expected life (Lifetime ECLs) or cash shortfalls expected to occur within 12 months after reporting date (12-month ECLs) of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Company and its subsidiaries in accordance with the contract and the cash flows that the Company and its subsidiaries expect to receive.
- *Financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

General approach

Under the general approach, at each reporting date, the Company and its subsidiaries recognise a loss allowance based on either 12-month ECLs or Lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognised in the consolidated statements of profit or loss as an impairment gain or loss.

The Company and its subsidiaries apply the general approach for ECL calculation for cash and cash equivalents, short-term investments, trade lease receivables, loans to and receivables from related parties, short-term prepayments and other receivables, and other non-current financial assets.

Simplified approach

Under the simplified approach, changes in credit risk are not tracked and loss allowances are measured at amounts equal to Lifetime ECL. The Company and its subsidiaries have elected to use the simplified approach for its trade receivables.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Estimates

Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, LGD, and EAD, defined as follows:

- ▶ **PD** The Probability of Default represents the likelihood of a customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The 12-month and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk.

The PD was identified using published external credit ratings – Standard & Poor's (S&P)-issued default rates. For counterparties without available data, benchmark procedures were performed and the comparable companies' default rates were used as proxy for the PD of the counterparties.

- ▶ **LGD** The Loss Given Default represents the Company and its subsidiaries' expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The LGD was determined by obtaining the equivalent Thomson Reuters-issued market recovery rates based on the counterparty's S&P credit ratings. LGD was then derived as one less the applicable recovery rate. For counterparties without available data, benchmark procedures were performed and the comparable companies' recovery rates were used as proxy for the recovery rates of the counterparties.

- ▶ **EAD** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

j) *Financial Instruments – initial recognition and subsequent measurement* (continued)

i) *Financial assets* (continued)

Estimates (continued)

When estimating the ECLs, the Company and its subsidiaries consider three scenarios (a base case, an upside, and a downside). Each of these is associated with different ECL factors. When relevant, the assessment of multiple scenarios also incorporates how defaulted balances are expected to be recovered, including the probability that such balances will cure and the value of collateral or the amount that might be received from selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Company and its subsidiaries have the legal right to call it earlier.

The interest rate used to discount the ECLs of fixed-rate instruments is the approximate EIR at initial recognition. For floating rate financial instruments, the Company and its subsidiaries used current EIR as at reporting date.

Forward looking information

The Company and its subsidiaries incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

To do this, the Company and its subsidiaries consider a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs. Based on the Company and its subsidiaries' evaluation and assessment, and after taking into consideration external actual and forecast information, the Company and its subsidiaries formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Company and its subsidiaries have identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

In its ECL models, the Company and its subsidiaries rely on forward looking information as economic inputs, such as GDP growth rates and inflation rates.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past nine years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company and its subsidiaries have not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

J) *Financial instruments – initial recognition and subsequent measurement* (continued)

i) *Financial assets* (continued)

Estimates (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Company and its subsidiaries seek to use collateral, where possible. The collateral comes in various forms: cash, securities, real estate and other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Company and its subsidiaries' consolidated statements of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. To the extent possible, the Company and its subsidiaries use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Reclassification

If the business model under which the Company and its subsidiaries hold the financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company and its subsidiaries' financial assets.

Reclassifications of financial assets are only permitted, or required, in rare circumstances which does not include a simple change in business model.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company and its subsidiaries' consolidated statement of financial position) when:

- ▶ The rights to receive cash flows from the asset have expired; or
- ▶ The Company and its subsidiaries have transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or
- ▶ The Company and its subsidiaries have transferred its rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Company and its subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company and its subsidiaries continue to recognise the transferred asset to the extent of its continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company and its subsidiaries could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as either financial liabilities at FVPL or loans and borrowings and other financial liabilities, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

The Company and its subsidiaries' financial liabilities include trade and other payables, accruals, corporate bond, loans and borrowings, borrowings from and payables to related parties and tenant deposits. The Company and its subsidiaries did not have financial liabilities at FVPL during the year ended 31 December 2019 and as at 31 December 2018.

Subsequent measurement

Loans and borrowings or other financial liabilities

After initial recognition, interest-bearing loans and borrowings and other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statements of profit or loss.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

j) Financial Instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statements of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

k) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing cost for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced in intervals, the Company and its subsidiaries depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statements of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and structures	15 to 48 years
Machinery and equipment	5 to 10 years
Means of transportation	6 to 10 years
Office equipment	3 to 5 years
Others	3 to 5 years

An item of property and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of profit or loss when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortisation is charged to current operations.

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

l) Construction in progress

Construction in progress is initially measured at cost and subsequently transferred to property, equipment or intangible asset when completed.

m) Leases

Leases prior to 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

The Company and its subsidiaries as a lessee

All lease contracts are classified at the inception date as operating leases as the leases do not transfer substantially all the risks and rewards incidental to ownership to the Company and its subsidiaries.

Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

The Company and its subsidiaries as a lessor

Leases in which the Company and its subsidiaries do not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

m) Leases (continued)

Leases prior to 1 January 2019 (continued)

Sale and leaseback

The Company and its subsidiaries entered into agreements for the sale of its villas and apartments (properties). Under these agreements, the buyers may choose to engage the Company and its subsidiaries as a service provider to manage the short-stay hospitality services for a fee, in which, the Company and its subsidiaries are obliged to manage the operation of the properties so that the buyer will receive a certain amount of income.

Agreements where the buyer engaged the Company and its subsidiaries to be a service provider was identified to be sale and leaseback transactions and are accounted for in accordance with IAS 17.

These sales and leaseback transactions are assessed as operating leases and as such, the Company and its subsidiaries derecognise the asset and:

- a. If it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately.
- b. If the sale price is below fair value, any profit or loss shall be recognised immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.
- c. If the sale price is above fair value, the excess over fair value shall be deferred and amortised over the period for which the asset is expected to be used.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

m) Leases (continued)

Leases effective as of 1 January 2019

The Company and its subsidiaries assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company and its subsidiaries as a lessee

The Company and its subsidiaries apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company and its subsidiaries recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Company and its subsidiaries recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

Land	49 to 50 years
Building and structures	2 to 7 years

If the Company and its subsidiaries are reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are subject to impairment. The Company and its subsidiaries apply cost model in IAS 40, Investment properties to its right-of-use assets that meet the definition of investment properties.

(ii) Lease liabilities

At the commencement date of the lease, the Company and its subsidiaries recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and its subsidiaries and payments of penalties for terminating a lease, if the lease term reflects the Company and its subsidiaries exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers the payment occurs.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 *Summary of significant accounting policies* (continued)

m) *Leases* (continued)

Leases effective as of 1 January 2019 (continued)

(ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Company and its subsidiaries use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Sale and leaseback transactions

The Company and its subsidiaries continue to account for the sale and leaseback transactions for apartments completed before the initial application of IFRS 16, as a sale and leaseback transaction. The Company and its subsidiaries recognised the right-of-use asset and a lease liability for the lease back on 1 January 2019, measured in the same way as other right-of-use assets and lease liabilities at that date.

(iv) Short-term leases and leases of low-value assets

The Company and its subsidiaries apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below VND120 million). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Company and its subsidiaries as a lessor

Leases in which the Company and its subsidiaries do not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company and its subsidiaries incur in connection with the borrowing of funds.

The interest capitalised is calculated using each entity within Company and its subsidiaries' weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalised is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is also capitalised on the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

o) Investment properties

Investment properties comprise completed property, property under construction or re-development and ROU assets that meet the definition of investment properties that is held to earn rentals or for capital appreciation or both. Properties held under leases are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at cost including transaction costs, less accumulated depreciation and/or amortisation and impairment. Depreciation and amortisation of investment properties are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Land use rights	45 to 50 years
Buildings and structures	27 to 50 years
Machinery and equipment	7 to 10 years

No amortisation is charged on the land use rights presented as investment properties with indefinite terms.

Transfers are made to or from investment property only when there is a change in use. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

o) Investment properties (continued)

The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use. When the Company and its subsidiaries decide to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised and does not treat it as inventory.

Investment property is derecognised when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statements of profit or loss in the period when the asset is derecognised.

p) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the consolidated statements of profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statements of profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated on a straight-line basis over the useful lives of the assets as follows:

Computer software	3 to 5 years
Land use rights	27 years

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of profit or loss.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

q) Inventories

Inventory property

Property acquired or being constructed for sale or to be held for long-term lease that meets the requirements of outright revenue recognition in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- ▶ Freehold, leasehold and development rights for land;
- ▶ Amounts paid/payable to contractors for construction; and
- ▶ Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date less costs of completion and the estimated costs necessary to make the sale.

The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on reasonable relative cost basis.

Other inventories

Inventories are carried at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Cost includes cost of purchase, cost of direct materials, labour and other attributable manufacturing overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

r) Sales commissions

Sales commissions that are directly related to promoting sale of inventory properties are capitalised under the short-term prepaid expenses and other receivable accounts in the consolidated statements of financial position and subsequently expensed when the Company and its subsidiaries recognise revenue from selling of related inventory properties.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

s) Provisions

General

Provisions are recognised when the Company and its subsidiaries have a present obligation (legal or constructive) as a result of a past event and, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company and its subsidiaries expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statements of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

Provision for assurance-type warranty expenses

The Company and its subsidiaries estimate provision for assurance-type warranty expenses based on revenue and available information about the repair of real estate properties sold in the past.

t) Impairment of non-financial assets

The Company and its subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company and its subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs' fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company and its subsidiaries base its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company and its subsidiaries' CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows.

Impairment losses of continuing operations are recognised in the consolidated statements of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. For such properties, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

t) Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company and its subsidiaries estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statements of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

u) Tenant deposits

For the tenant deposits classified as financial liabilities, they are initially recognised at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

For the tenant deposits which do not qualify as financial liabilities, they are measured at cost.

v) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks, cash on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

w) Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company and its subsidiaries' own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

x) *Non-current assets held for sale and discontinued operations*

The Company and its subsidiaries classify non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately from non-current items in the consolidated statements of financial position.

y) *Demerger*

Demerger where the Company is the demerged company is conducted as follows:

- ▶ Assets, liabilities transferred to the new company is deducted to the respective items in the consolidated statements of financial position by the carrying value at the date of demerger;
- ▶ Difference between assets and liabilities transferred to the new company is deducted to equity in the consolidated statements of financial position; and
- ▶ No gain or loss is recognised for the demerger transaction.

z) *Events after the Reporting Period*

Post year-end events that provide additional information about the Company and its subsidiaries' position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

aa) *Other reserve*

Changes in other comprehensive income, day 1 profit or loss from financial instruments with related parties of the Company and its subsidiaries are recognised in other reserve in the consolidated statements of changes in equity.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company and its subsidiaries' annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019. The Company and its subsidiaries elected to early adopt Amendments to IFRS 3, *Definition of a Business* for the reporting period beginning on 1 January 2019, the date of first application. Apart from this early adoption, the Company and its subsidiaries have not early adopted any standard, interpretations or amendments that have been issued but are not yet effective.

The Company and its subsidiaries apply, for the first time, IFRS 16 Leases using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, the nature and effect of the changes as a result of this new accounting standard are disclosed below.

Several other amendments and interpretations which are applicable for the first time in 2019, but either not relevant or do not have an impact on consolidated financial statements of the Company and its subsidiaries.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Company and its subsidiaries adopted IFRS 16 using the modified retrospective transition method (i.e., to apply IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2019).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Changes in accounting policies and disclosures* (continued)

IFRS 16 Leases (continued)

The Company and its subsidiaries elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company and its subsidiaries therefore did not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company and its subsidiaries have elected to apply the following practical expedients provided by the standard:

- ▶ Use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ▶ The Company and its subsidiaries did not apply the requirements of IFRS 16 to leases for which the lease term ends within 12 months from the date of initial application; and
- ▶ The Company and its subsidiaries exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Company and its subsidiaries have elected to use the exemption proposed by the standard on the following contracts:

- ▶ Lease contracts for which the lease term ends within 12 months from the lease commencement date; and
- ▶ Lease contracts for which the underlying asset is of low value.

Nature of the effect of adoption of IFRS 16

The Company and its subsidiaries have lease contracts for various items of land and buildings. Before the adoption of IFRS 16, the Company and its subsidiaries classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all the risks and rewards incidental to ownership of the leased asset to the Company and its subsidiaries; otherwise, it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised, and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent, deferred revenue and accrued rent were recognised under prepayments, deferred revenues and accruals, respectively.

Upon adoption of IFRS 16, the Company and its subsidiaries applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company and its subsidiaries.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Changes in accounting policies and disclosures (continued)

IFRS 16 Leases (continued)

Impact of IFRS 16

The impact of the adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	1 January 2019 VND million
Assets	
Right-of-use assets	883,781
Intangible assets	(364,452)
Construction in progress	(456)
Investment properties under construction	346,594
Completed investment properties	167,154
Long-term prepayments	(47,559)
Long-term deposits and receivables from related parties	430,691
Deferred tax assets	58,241
Total assets	1,473,994
Liabilities	
Short-term accruals	(358,610)
Long-term deferred revenues to related parties	(247,858)
Short-term borrowings, deposits from and payables to related parties	(14,817)
Lease liabilities	2,049,677
Deferred tax liabilities	55,713
Total liabilities	1,484,105
Net impact on equity	(10,111)
Retained earnings	(10,111)
Non-controlling interest	-

Leases previously accounted for as operating leases

The Company and its subsidiaries recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Changes in accounting policies and disclosures (continued)

IFRS 16 Leases (continued)

Based on the foregoing, as at 1 January 2019:

- ▶ Right-of-use assets of VND884 billion were recognised and presented separately in the consolidated statement of financial position;
- ▶ Long-term prepayments of VND48 billion were classified to right-of-use assets, construction in progress of VND456 million were classified to right-of-use assets and completed investment properties of VND167 billion were classified from right-of-use assets, investment properties under construction of VND347 billion were classified from right-of-use assets;
- ▶ Long-term deposits and receivables from related parties of VND431 billion were recognised, intangible assets of VND364 billion, short-term borrowings, deposits from and payables to related parties of VND15 billion and long-term deferred revenues to related parties of VND248 billion were derecognised in relation to the sublease which is a finance lease;
- ▶ Deferred tax assets of VND58 billion and deferred tax liabilities of VND56 billion were recognised;
- ▶ Lease liabilities of VND2,050 billion were recognised;
- ▶ Accruals of VND359 billion in relation to the previous operating leases were derecognised; and
- ▶ The net effect of these adjustments had been adjusted to retained earnings (VND10 billion).

The lease liability as at 1 January 2019 as can be reconciled to the operating lease commitments as of 31 December 2018 follows:

	1 January 2019 VND million
Operating lease commitments as at 31 December 2018	2,241,184
Weighted average incremental borrowing rate as at 1 January 2019	10.43%
Discounted operating lease commitments as at 1 January 2019	<u>2,049,677</u>
Lease liabilities recognised as at 1 January 2019	<u>2,049,677</u>

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Changes in accounting policies and disclosures* (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- ▶ Whether an entity considers uncertain tax treatments separately;
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- ▶ How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Upon adoption of the Interpretation, the Company and its subsidiaries considered whether it has any uncertain tax positions. The Company and its subsidiaries determined, based on its tax compliance assessment, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation had no an impact on the consolidated financial statements of the Company and its subsidiaries.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Company and its subsidiaries.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Changes in accounting policies and disclosures* (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

These amendments had no impact on the consolidated financial statements of the Company and its subsidiaries as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements of the Company and its subsidiaries as the Company and its subsidiaries do not have long-term interests in its associate and joint venture to which the equity method is not applied.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The Company and its subsidiaries elected to early adopt these amendments for the reporting period beginning on January 1, 2019. These amendments apply prospectively to transactions or other events that occur on or after the date of initial application. The Company and its subsidiaries have applied these amendments for the acquisition transactions during the year.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Changes in accounting policies and disclosures* (continued)

Annual Improvements 2015-2017 Cycle

► *IFRS 3 Business Combinations*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Company and its subsidiaries as there is no transaction where the Company and its subsidiaries obtain control of a business that is previously a joint operation.

► *IFRS 11 Joint Arrangements*

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Company and its subsidiaries as there is no transaction where the Company and its subsidiaries obtain joint control of the joint operation.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 *Changes in accounting policies and disclosures* (continued)

Annual Improvements 2015-2017 Cycle (continued)

► *IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since dividends received from investees are not subject to income tax under local corporate income tax regulation, these amendments had no impact on the consolidated financial statements of the Company and its subsidiaries.

► *IAS 23 Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company and its subsidiaries' current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Company and its subsidiaries.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company and its subsidiaries' consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Other disclosures relating to the Company and its subsidiaries' exposure to risks and uncertainties as presented in Note 33 includes:

- Capital management;
- Financial instruments risk management and policies; and
- Sensitivity analyses disclosures.

Judgements

In the process of applying the Company and its subsidiaries' accounting policies, management has made the following judgements, which have the most significant effect on the amount recognised in the consolidated financial statements.

Revenue from contracts with customers

The Company and its subsidiaries applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Revenue recognition and measurement of progress

The Company and its subsidiaries recognise revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Company and its subsidiaries determine, at contract inception, whether it will transfer control of a promised good or service over time. If the Company and its subsidiaries do not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

In determining the revenue recognition for the sale of residential properties, the Company and its subsidiaries determine whether the Company and its subsidiaries' performance does not create an asset with an alternative use to the Company and its subsidiaries and the Company and its subsidiaries have an enforceable right to payment for performance completed to date. The properties have no alternative use for the Company and its subsidiaries due to contractual restrictions. However, the Company and its subsidiaries have no enforceable right to payment for performance completed to date as there is no legal recourse or legal basis requiring the customer, who has breached or defaulted under the contract, to compensate the Company and its subsidiaries with an amount representing the Company and its subsidiaries' incurred cost plus a reasonable profit margin. Therefore, revenue is recognised at a point in time when the completed residential property is handed over.

For construction services, the Company and its subsidiaries concluded that the revenue is to be recognised over time because the Company and its subsidiaries' performance creates or enhances an asset (i.e. work in progress) that the customer controls as the asset is created or enhanced. The Company and its subsidiaries determined that the input method is the best method in measuring progress of the construction services because there is a direct relationship between the Company and its subsidiaries' effort and the transfer of service to the customer. The Company and its subsidiaries recognise revenue on the basis of the actual costs incurred relative to the total estimated costs to complete the service.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

Revenue recognition and measurement of progress (continued)

For the sale of management services, the Company and its subsidiaries concluded that revenue is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company and its subsidiaries. The fact that another entity would not need to re-perform the services that the Company and its subsidiaries have provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company and its subsidiaries' performance as it performs. The Company and its subsidiaries determined that output method used in measuring the progress of the performance obligation faithfully depicts the Company and its subsidiaries' performance in transferring control of the services to the customer.

Identify the contract with the customer

The Company and its subsidiaries identify the contracts that meet all the criteria required under IFRS 15 for a valid revenue contract. Each type of document per revenue stream is specifically assessed by the Company and its subsidiaries by considering the following attributes:

- ▶ the parties have approved the contract and are committed to perform their respective obligations;
- ▶ each party's rights regarding the goods or services to be transferred can be identified;
- ▶ payment terms can be identified;
- ▶ the contract has commercial substance; and
- ▶ it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Consideration payable to customers

The Company and its subsidiaries recognise consideration payable to customers when cash amounts are paid or expected to be paid by the Company and its subsidiaries to the customers or to other parties that purchase the Company and its subsidiaries' goods or services from the customers. An amount that is considered as consideration payable to customers shall be accounted for as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company and its subsidiaries.

The Company and its subsidiaries determine that incentives provided to customers through interest support are consideration payable to customers. Interest support to be paid to the bank in favor of customers represents an incentive paid by the Company and its subsidiaries to encourage customers to purchase residential properties. This incentive is accounted for as a reduction of the transaction price based on the present value of interest support payable.

Performance obligations

The Company and its subsidiaries identify performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer and the Company and its subsidiaries' promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers (continued)

Performance obligations (continued)

The Company and its subsidiaries integrate the land area, various land developments, the house and other significant activities (e.g., water distribution, electricity, drainage, sewerage system, etc.) as promised in its contract with customers. These promises are combined into one distinct performance obligation which is the sale of residential property.

The Company and its subsidiaries also consider the provision of management services as a separate performance obligation from the sale of residential property. The customer can benefit from the property and the management service on their own, which are separately identifiable since they are not integrated into a combined output, do not significantly modify or customise each other and are not highly interrelated.

Warranties

The Company and its subsidiaries generally provide warranties for general repairs of defects that existed at the time of sale, as required by law. As such, the warranties are assurance-type warranties, which the Company and its subsidiaries account for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Significant financing component

The Company and its subsidiaries assess whether a financing component from its contracts with customers is significant by considering all relevant facts and circumstances such as the difference, if any, between the amount of the promised consideration and the cash selling price of the promised goods or services, and the combined effect of both the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services, and the prevailing interest rates in the relevant market.

The Company and its subsidiaries determine the financing component for each payment scheme. Spot cash transactions constitute a significant financing component due to the difference between the timing of the payment and the transfer of control over the purchased units. In the case of installment payments, the initial down payments amounting to 30% of the selling price of the property are assessed to have no significant financing component as these are used to protect the Company and its subsidiaries from the customer's failure to perform its obligations under the contract. The Company and its subsidiaries determine the financing component for the remaining installment payments received from customers for the sale of residential properties at the contract level. With reference to the calculated interest, the remaining installment payments for contracts within two to three years prior to the handover of the purchased units may or may not have a significant financing component and will be assessed on a per contract basis. As a consequence, the Company and its subsidiaries shall adjust the promised amount of consideration for the effects of the time value of money in determining the transaction price of its contracts with customers.

In determining the interest to be applied to the amount of consideration, the Company and its subsidiaries concluded that the borrowing rate of the Company at a similar period (for two to three years) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the Company and its subsidiaries and its customer at contract inception.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Assessment of control

The Company assesses that it controls another entity ("an investee"), regardless of the nature of its involvement with an entity, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, normally represented by ownership of voting rights. The Company assesses its control over an investee despite having more or less than a majority of the voting rights based on potential voting rights or other contractual agreements.

For the acquisitions of subsidiaries, the Company assesses that it controls an acquired subsidiary since the dates when the Company or its subsidiaries were named on the Shareholder Register of the subsidiary as from that date, the Company and its subsidiaries can be fully exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Business combinations

The Company acquires subsidiaries. At the time of acquisition, the Company considers whether the acquisition represents the acquisition of a business or the acquisition of a group of assets and liabilities. The Company accounts for an acquisition as a business combination where an integrated set of activities and significant processes are acquired in addition to the property.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities (Note 5.2). The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Classification of property

The Company and its subsidiaries determine whether a property is classified as investment property, property and equipment or inventory property:

- ▶ Investment property comprises land and buildings (principally offices and retail property) which are not occupied substantially for use by, or in the operations of, the Company and its subsidiaries, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business;
- ▶ Property and equipment comprise property which are occupied substantially for use by, or in the operations of, the Company and its subsidiaries; and
- ▶ Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property and commercial property that the Company and its subsidiaries develop and intend to sell before or on completion of construction.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Property lease classification – the Company and its subsidiaries as lessors

The Company and its subsidiaries, as a lessor, have entered into commercial property leases on its investment property portfolio. The Company and its subsidiaries evaluated the terms and conditions of the arrangements, particularly the duration of the lease terms, minimum lease payments and any options to cancel the leases to determine whether it retains or transfers all the significant risks and rewards of ownership of these properties and to account for the leases as operating or finance leases accordingly.

Sale and lease back

The Company and its subsidiaries entered into agreements with different buyers for the sale of its residential properties. Under the said agreements, the buyers may engage the Company as a service provider to manage the short-stay hospitality services for a fee, in which, the Company is obliged to manage the operation of the residential properties so that the buyer will receive a certain amount of income from the results of operations of the said properties.

Management assessed that the agreements should be accounted for as sale and lease back transactions in accordance with IFRS 16 as the Company and its subsidiaries are assigned to use the property (a specified asset) in operating its lease services and is obliged to pay the buyers certain amounts in return.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company and its subsidiaries based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company and its subsidiaries. Such changes are reflected in the assumptions when they occur.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 33 for further disclosures.

The Company and its subsidiaries shall measure a financial asset at FVPL at its fair value at initial recognition. If the fair value is evidenced other than by a quoted price in active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, day-1 difference shall be deferred. After initial recognition, the Company and its subsidiaries shall recognise that deferred difference as a gain or loss only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Warranty provisions

Provisions for assurance-type warranty-related costs are recognised when the product is sold to the customer. Initial recognition is based on historical experience. The Company and its subsidiaries estimate provision for real estate property warranty based on sales volume and currently available information about repairing expenses of apartments, villas and shop-houses sold in the past. The initial estimate of warranty-related costs is revised annually (Note 28.3).

Taxes (Note 8)

Significant estimate is required to determine the total provision for current and deferred taxes.

There are many transactions and calculations for which the ultimate tax determination and timing of payment is uncertain. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

The Company and its subsidiaries recognise liabilities for current taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which the determination is made.

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company and its subsidiaries establish provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective tax jurisdictions.

Estimation of net realisable value for inventory property

Inventory is stated at the lower of cost and net realisable value (NRV) (Note 16). NRV of completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Company and its subsidiaries having taken suitable external advice and in the light of recent market transactions.

NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction, cost to sell and take into account estimate of the time value of money to the date of completion.

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Estimation of useful lives of property, equipment, investment property and intangible assets (excluding goodwill)

The Company and its subsidiaries estimate the useful lives of property, equipment, intangible assets and investment property based on internal technical evaluation and experience with similar assets. Estimated useful lives of property, equipment, intangible assets excluding goodwill and investment property are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. In 2019, there were no significant changes made in the useful lives and residual values of the property, equipment, intangible assets excluding goodwill and investment property (Note 10, Note 11 and Note 12).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the future and do not include restructuring activities that the Company and its subsidiaries are not yet committed to or significant future investments that will enhance the performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangible assets with indefinite useful lives recognised by the Company and its subsidiaries. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Notes 10, 11, 12, 13 and 14.

Impairment of goodwill

The Company and its subsidiaries determine whether goodwill is impaired on an annual basis every 31 December, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Management determined that the goodwill amounting to VND700 billion as of both 31 December 2019 and 31 December 2018 (see Note 11) is not impaired.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Estimates on IFRS 15

Revenue recognition for construction contract

When a contract for the sale of a property upon completion of construction is judged to be a construction contract, revenue is recognised using the percentage-of-completion method as construction progresses. The Company and its subsidiaries consider the terms and conditions of the contract, including how the contract was negotiated and the structural elements that the customer specifies when identifying individual projects as construction contracts. The percentage of completion is estimated by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Allocation of transaction price

Contracts for the sale of property may include more than one performance obligation. As a result, the transaction price shall be allocated to each identified performance obligation in proportion to their relative stand-alone selling prices. The Company and its subsidiaries estimate that the stand-alone selling prices will be allocated using the observable prices of the type of goods likely to be provided and the services rendered under similar circumstances to similar customers.

Moreover, the Company and its subsidiaries estimate that if a discount is given to customers, such discount shall also be allocated proportionately to all performance obligations in the contract. The proportionate allocation of the discount in those circumstances is a consequence of the Company and its subsidiaries allocating the transaction price to each performance obligation.

Significant financing component

Generally, the Company and its subsidiaries receive short-term and long-term advances from its customers.

Upon the adoption of IFRS 15, for short-term advances, the Company and its subsidiaries used the practical expedient. As such, the Company and its subsidiaries will not adjust the promised amount of the consideration for the effects of a financing component in contracts, where the Company and its subsidiaries expect, at contract inception, that the period between the time the customer pays for the good or service and when the Company and its subsidiaries transfer that promised good or service to the customer will be one year or less.

On the other hand, the Company and its subsidiaries sell pre-completed properties where the construction's lead time after signing the contract is two to three years. This type of contract includes two alternative payment options for the customer, i.e., payment of the transaction price at installment basis until property is delivered or payment in advance at contract inception. The Company and its subsidiaries concluded that there is a significant financing component for those contracts where the customer elects to pay in advance considering the length of time between the customer's payment and the transfer of the properties to the customer, and the prevailing interest rates in the market. The Company and its subsidiaries capitalize the interest on the advances received from customers with a significant financing component as part of the cost of inventories. In addition, the Company and its subsidiaries classify the outstanding balance of advances from customers as down payment from customers.

The significant financing component is mainly related to down payment from customers (Note 27).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Estimates (upon adoption of IFRS 16)

Estimating the discount rate (upon adoption of IFRS 16) (Note 24)

The present value of the lease payment is determined using the discount rate representing the rate of interest applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities of the Company and its subsidiaries, observed in the period when the lease contract commences or is modified.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company and its subsidiaries' consolidated financial statements are disclosed below. The Company and its subsidiaries intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company and its subsidiaries' consolidated financial statements.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

5. SIGNIFICANT ACQUISITIONS AND DISPOSALS DURING THE YEAR

5.1. *Disposal of Prime Land Real Estate Investment Joint Stock Company ("Prime Land JSC")*

On 28 March 2019, under Share Transfer Agreements signed between the Company and a subsidiary with counterparties, the Company and the aforementioned subsidiary have disposed all shares in Prime Land JSC for a total consideration of VND2,413 billion. Accordingly, the Company recognised a gain with the value of VND1,493 billion from this transaction in the consolidated statement of profit or loss (Note 7.3).

5.2. *Acquisition of group of assets*

During the year, the Company and its subsidiaries have acquired shares of the following companies from counterparties. Management has reviewed and assessed that the acquisition of shares of these companies is the acquisition of group of assets, rather than business combination. The total consideration for each of these acquisitions was allocated to the assets and liabilities acquired based on their relative fair values at acquisition date. Accordingly, a part of consideration was recognised in inventories, inventory properties under construction and construction in progress. The non-controlling interests were also recognised at their relative proportion of the interests in the assets and liabilities acquired. These acquired assets and liabilities are presented in the same categories as other similar assets and liabilities held by the Company and its subsidiaries.

Acquisition of Green City JSC, a new subsidiary

On 1 July 2019, the Company and its subsidiaries completed the acquisition of 90% shares of Green City JSC from counterparties for a total consideration of VND15,474 billion. As a result, Green City JSC became a subsidiary of the Company. At the date of acquisition, Green City JSC is the owner of a potential real estate project. The Company and its subsidiaries recognised a land development right amounting to VND10,342 billion.

Acquisition of Delta JSC, a new subsidiary

On 8 July 2019, the Company and its subsidiaries completed the acquisition of 100% shares of Delta JSC from counterparties for a total consideration of VND4,920 billion. As a result, Delta JSC became a subsidiary of the Company. At the date of acquisition, Delta JSC is the owner of a potential real estate project. The Company and its subsidiaries recognised a land development right amounting to VND4,066 billion.



Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. MATERIAL PARTLY-OWNED ENTITIES

Proportion of voting right held by non-controlling interests:

Name	2019	2018
Vietnam Investment JSC	30.50%	30.50%
Royal City JSC	42.15%	42.15%
Berjaya VFC LLC	32.50%	32.50%
Berjaya VIUT LLC	2.10%	2.10%
Can Gio JSC	0.11%	0.11%
Gia Lam LLC	15.00%	15.00%

Proportion of effective equity interest held by non-controlling interests:

Name	2019	2018
Vietnam Investment JSC	31.36%	31.36%
Royal City JSC	42.15%	42.15%
Berjaya VFC LLC	39.22%	32.50%
Berjaya VIUT LLC	11.83%	2.11%
Can Gio JSC	1.44%	0.11%
Gia Lam LLC	16.05%	16.05%

Accumulated balances of material non-controlling interests:

Currency: VND million

Name	2019	2018
Vietnam Investment JSC	1,712,700	2,022,103
Royal City JSC	1,210,665	1,125,749
Berjaya VFC LLC	1,255,187	1,005,924
Berjaya VIUT LLC	1,492,215	262,429
Can Gio JSC	649,636	49,911
Gia Lam LLC	2,252,769	196,999

Profit/(loss) allocated to material non-controlling interests for the year ended 31 December 2019 and 31 December 2018:

Currency: VND million

Name	2019	2018
Vietnam Investment JSC	82,781	296,446
Royal City JSC	94,725	46,782
Berjaya VFC LLC	35,761	39,464
Berjaya VIUT LLC	18,192	10,173
Can Gio JSC	8,516	8,605
Gia Lam LLC	2,071,376	95,814

The summarised financial information of these entities is provided below.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. MATERIAL PARTLY-OWNED ENTITIES (continued)

Summarised statements of profit or loss for the year ended 31 December 2019:

Currency: VND million

	Vietnam Investment JSC	Royal City JSC	Berjaya VFC LLC	Berjaya VIUT LLC	Can Gio JSC	Gia Lam LLC
Revenue	1,153,164	350,991	-	-	-	25,232,710
Cost of sales	(958,660)	(298,055)	-	-	-	(9,197,781)
Gross profit	194,504	52,936	-	-	-	16,034,929
Administrative expenses	(82,654)	(5,920)	(106)	(237)	(586)	(766,845)
Selling and distribution expenses	(89,656)	(152)	-	-	-	(1,889,877)
Other operating income	2,757	742	-	-	40	43,678
Other operating expenses	(9,744)	-	-	-	(57)	(31)
Operating profit/(loss)	15,207	47,606	(106)	(237)	(603)	13,421,854
Finance income	328,072	177,120	136,684	222,065	2,554,870	3,065,810
Finance costs	-	12	-	(83)	(1,534)	(308,237)
Profit before tax	343,279	224,738	136,578	221,745	2,552,733	16,179,427
Income tax expenses	(79,308)	-	(27,315)	(44,349)	(510,588)	(3,273,654)
Profit for the year	263,970	224,738	109,263	177,396	2,042,145	12,905,773
Total comprehensive income, net of tax	263,970	224,738	109,263	177,396	2,042,145	12,905,773
Attributable to non- controlling interests	82,781	94,725	35,761	18,192	8,516	2,071,376
Dividends paid to non- controlling interests	301,950	-	-	-	1,030	-

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. MATERIAL PARTLY-OWNED ENTITIES (continued)

Summarised statements of profit or loss for the year ended 31 December 2018:

Currency: VND million

	Vietnam Investment JSC	Royal City JSC	Berjaya VFC LLC	Berjaya VIUT LLC	Can Gio JSC	Gia Lam LLC
Revenue	9,253,545	151,299	-	-	-	-
Cost of sales	(6,666,699)	(104,262)	-	-	-	-
Gross profit	2,586,846	47,037	-	-	-	-
Administrative expenses	(235,781)	(76,194)	(5,333)	(2,562)	(53,644)	(60,508)
Selling and distribution expenses	(605,378)	(1,330)	-	-	-	(30,310)
Other operating income	18,551	4,248	136	-	246	58
Other operating expenses	(39)	(30,226)	(686)	(8)	(3,002)	(2)
Operating profit/(loss)	1,764,199	(56,465)	(5,883)	(2,570)	(56,400)	(90,762)
Finance income	372,139	165,376	140,758	554,356	992,631	845,574
Finance costs	-	(30,549)	(23)	(7)	(78)	-
Profit before tax	2,136,338	78,362	134,852	551,779	936,153	754,812
Income tax (expenses)/income	(1,559,586)	149	(14,664)	(110,721)	(198,668)	(161,422)
Profit for the year	576,752	78,511	120,188	441,058	737,485	593,390
Total comprehensive income, net of tax	576,752	78,511	120,188	441,058	737,485	593,390
Attributable to non- controlling interests	296,446	46,782	39,464	10,173	8,605	95,814
Dividends paid to non- controlling interests	-	-	-	-	-	-

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. MATERIAL PARTLY-OWNED ENTITIES (continued)

Summarised statements of financial position as at 31 December 2019:

	Vietnam	Royal City JSC	Berjaya VFC LLC	Berjaya VIUT LLC	Can Gio JSC	Gia Lam LLC
	Investment JSC					
Current assets	3,556,715	397,418	2,226,691	884,923	29,479,769	33,181,148
Non-current assets	5,756,351	2,643,740	1,151,880	11,861,496	15,973,586	27,953,176
Current liabilities	(3,588,614)	(163,745)	(178,197)	(83,830)	(339,731)	(30,168,043)
Non-current liabilities	(263,036)	(5,135)	-	(48,770)	-	(1,424,487)
Total equity	5,461,416	2,872,278	3,200,374	12,613,819	45,113,624	29,541,794
Attributable to:						
Equity holders of the parent	3,748,716	1,661,613	1,945,187	11,121,604	44,463,988	27,289,025
Non-controlling interests	1,712,700	1,210,665	1,255,187	1,492,215	649,636	2,252,769

Summarised statements of financial position as at 31 December 2018:

	Vietnam	Royal City JSC	Berjaya VFC LLC	Berjaya VIUT LLC	Can Gio JSC	Gia Lam LLC
	Investment JSC					
Current assets	4,709,095	2,253,672	124,411	12,275,573	12,710,160	18,739,064
Non-current assets	6,089,573	577,785	3,148,155	279,221	33,039,754	12,649,658
Current liabilities	(3,748,879)	(155,505)	(177,416)	(117,381)	(375,883)	(11,509,172)
Non-current liabilities	(601,756)	(5,136)	-	-	-	(3,271,298)
Total equity	6,448,033	2,670,816	3,095,150	12,437,413	45,374,031	16,608,252
Attributable to:						
Equity holders of the parent	4,425,930	1,545,067	2,089,226	12,174,984	45,324,120	16,411,253
Non-controlling interests	2,022,103	1,125,749	1,005,924	262,429	49,911	196,999

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES

7.1 Revenue from contracts with customers

Disaggregated revenue information

The Company and its subsidiaries presented the following disaggregated revenue information based on type of goods or service to comply with the requirement of IFRS 15:

	2019 VND million	2018 VND million
Sale of inventory properties	48,865,131	37,085,327
Rendering general contractor, construction consultancy and supervision services	2,657,041	3,889,230
Rendering real estate management and related services	1,483,024	960,729
Retail outlets	-	8,155
Other revenue	160,216	123,951
Total	53,165,412	42,067,392

In 2019, revenue from one customer amounted to VND18,403 billion (2018: nil) arising from the transfer of a portion of the Company and its subsidiaries' real estate projects.

Contract balances

	2019 VND million	2018 VND million
Trade receivables from contracts with customers (*)	6,793,242	4,414,815
Receivables from related parties	3,285,805	3,089,568

Trade receivables are mainly from the transfer of portions of Vinhomes Ocean Park and Vinhomes Smart City projects; landed house at Vinhomes Marina project and residential apartments at Vinhomes Green Bay, Vinhomes Metropolis, Vinhomes Golden River and Vinhomes Central Park projects.

(*) This balance includes contract assets amounting to VND5,786 billion and VND3,596 billion, as at 31 December 2019 and 31 December 2018 respectively. Contract assets are initially recognised for the portion of revenue earned from the sale of inventory properties. The receipt of contract assets is conditional on the transfer of land use right certificate to the customer. The significant increase in the contract assets in 2019 mainly resulted from transfer of portions of Vinhomes Ocean Park and Vinhomes Smart City projects.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES (continued)

7.1 Revenue from contracts with customers (continued)

Contract balances (continued)

	2019 VND million	2018 VND million
<i>Contract liabilities</i>		
Down payments from customers for purchases of residential and investment properties (Note 27)	75,505,897	19,652,255
Deferred revenue (Note 29)		
<i>Current portion</i>	439,862	423,489
<i>Non-current portion</i>	1,286,692	1,460,577
Short-term payables to related parties	-	634,962

Contract liabilities represent down payments from customers for purchases real estate properties and advance payment for services to be rendered in the future related to real estate management services.

Down payments from customers increased significantly in 2019 due to receipt of additional down payments for recently launched projects, e.g. Vinhomes Ocean Park, Vinhomes Grand Park, Vinhomes Smart City, Vinhomes West Point projects.

Revenue recognized in 2019 and 2018 from these contract liabilities at beginning of the year amounted to approximately VND9,982 billion and VND17,484 billion respectively.

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES (continued)

7.1 Revenue from contracts with customers (continued)

Performance obligation

Information about the Company and its subsidiaries' performance obligations are summarised below:

Performance Obligation	When Performance Obligation is Typically Satisfied	Significant Payment Terms
<i>Sale of Inventory Property (*)</i> Inventory property	Hand-over of property to the customer (point in time)	In accordance with payment schedule regulated in the contract.
<i>Rendering general contractor, construction consultancy and supervision services</i> General contractor, construction consultancy and supervision services	As work is performed (over time)	In accordance with payment schedule regulated in the contract.
<i>Rendering real estate management and related services</i> Real estate management services	As work is performed (over time)	In accordance with payment schedule regulated in the contract.
Related services	As work is performed (over time)	At the end of the contract period.

(*) There is a significant financing component for the contracts.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES (continued)

7.1 Revenue from contracts with customers (continued)

Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 excluding the constrained variable considerations are approximately VND91,473 billion (as at 31 December 2018: approximately VND36,835 billion), in which:

- (i) The total transaction price allocated to the remaining performance obligation of sale of inventory property as at 31 December 2019 are approximately VND87,956 billion (as at 31 December 2018: approximately VND29,397 billion). The performance obligation is satisfied upon the handover of inventory property to customers within from 1 to 3 years as at 31 December 2019;
- (ii) The total transaction price allocated to the remaining performance obligation of rendering construction services as at 31 December 2019 are approximately VND1,779 billion (as at 31 December 2018: approximately VND5,552 billion). The performance obligation is satisfied within from 1 to 3 years as at 31 December 2019; and
- (iii) The total transaction price allocated to the remaining performance obligation for rendering real estate management services as at 31 December 2019 are approximately VND1,738 billion (as at 31 December 2018: approximately VND1,886 billion). The performance obligation is satisfied within from 1 to 10 years as at 31 December 2019.

7.2 Cost of sales and services

	2019 VND million	2018 VND million
Cost of inventory properties	22,217,157	27,534,840
Cost of rendering general contractor, construction consultancy and supervision services	2,546,428	3,640,864
Cost of rendering real estate management and related services	1,481,356	954,904
Cost of leasing of investment property and rendering of related services	361,515	572,447
Cost of goods sold at retail outlets	-	12,759
Others	95,564	69,357
Total	26,702,020	32,785,171

7.3 Other operating income

	2019 VND million	2018 VND million
Gain from disposal of investments (i)	1,492,806	3,556,975
Changes in fair value of financial assets through profit or loss (Note 32)	4,914,251	9,180,193
Gain from compensation/penalties	77,801	32,476
Gain from disposal of property and equipment, and investment properties	96,641	164
Others	54,614	68,292
Total	6,636,113	12,838,100

- (i) Gain during the year ended 31 December 2019 is from the transfer of shares in Prime Land JSC.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES (continued)

7.4 Selling and distribution expenses

	2019 VND million	2018 VND million
Commission fees	1,053,070	1,060,365
Advertising, marketing expenses	801,329	73,935
Wages and salaries	135,745	93,673
Rental expenses of retail outlets	53,053	63,565
Others	20,910	69,651
Total	2,064,107	1,361,189

7.5 Administrative expenses

	2019 VND million	2018 VND million
External service expenses	761,329	578,804
(Reversal)/Provision made of impairment loss on financial assets	(166,148)	239,368
Wages and salaries	244,610	130,099
Sponsorship and donation	592,545	157,890
Impairment	38,840	101,431
Depreciation expenses	21,198	22,321
Others	410,137	61,489
Total	1,902,511	1,291,402

7.6 Other operating expenses

	2019 VND million	2018 VND million
Contract penalties	143,930	107,622
Loss from disposal of investments	-	32,137
Others	11,576	6,830
Total	155,506	146,589

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES (continued)

7.7 Finance income

	2019 VND million	2018 VND million
Nominal interest income on term deposits and loans	2,376,941	1,541,300
Changes in amortised cost of loans/receivables/borrowings other than nominal interest	154,110	168,555
Other finance income	899	2,608
Total	2,531,950	1,712,463

7.8 Finance costs

	2019 VND million	2018 VND million
Nominal interest on debts, borrowings and interest-bearing deposits	2,377,698	2,382,622
Changes in amortised costs of loans/deposits and borrowings other than nominal interest	159,113	81,364
Interest on lease liabilities	192,128	-
Other finance costs	171,129	6,051
Total	2,900,068	2,470,037

7.9 Employee benefit expenses

	2019 VND million	2018 VND million
Included in cost of sales:		
Wages and salaries	812,030	539,579
Social security costs	53,089	27,856
Included in selling and distribution expenses (Note 7.4)		
Wages and salaries	122,514	90,377
Social security costs	13,231	3,296
Included in administrative expenses (Note 7.5)		
Wages and salaries	223,302	124,666
Social security costs	21,308	5,433
Total	1,245,474	791,207

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

7. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME/EXPENSES (continued)

7.10 Depreciation, amortisation and costs of inventories included in the consolidated statements of profit or loss

	2019 VND million	2018 (Restated) VND million
Included in administrative expenses (Note 7.5)		
Depreciation and amortisation	21,198	22,321
Included in cost of sales:		
Depreciation and amortisation	357,443	237,272
Warranty provisions	(19,267)	38,103
Cost of inventory properties (Note 16)	21,410,895	27,534,840

8. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") rate applicable to the Company and its subsidiaries for the year ended 31 December 2019 is 20% on taxable profit (previous year: 20%).

The tax returns filed by the Company and its subsidiaries are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

8.1 Corporate income tax expenses

The major components of corporate income tax expense in the consolidated statements of profit or loss are:

	2019 VND million	2018 VND million
Income taxes		
Current tax expenses	5,766,161	4,630,061
Deferred tax (income)/expense relating to origination and reversal of temporary differences	(773,655)	203,673
Income tax expense recognised in consolidated statements of profit or loss	4,992,506	4,833,734

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

8. CORPORATE INCOME TAX (continued)

8.1 Corporate income tax expenses (continued)

The current CIT payable is based on taxable profit for the current year. The taxable profit differs from the profit as reported in the consolidated statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company and its subsidiaries' liability for current tax is calculated using tax rates that have been enacted by the financial reporting date.

The reconciliation of tax expense and the accounting profit multiplied by the Company and its subsidiaries' tax rate for the year ended 31 December 2019 and 31 December 2018 is as below:

	2019 VND million	2018 VND million
Accounting profit before tax	29,722,910	19,380,195
At CIT rates applied to the Company and its subsidiaries	5,944,582	3,876,039
<i>Adjustments to accounting profit:</i>		
Impacts from equity transactions between entities in the Company and its subsidiaries and entities outside the Company and its subsidiaries	(139,815)	(203,184)
Differences arising from revaluation of net asset of subsidiaries as at acquisition date	-	601,756
Non-deductible expenses	547,462	100,374
Differences of cost of goods sold between the individual financial statements and the consolidated financial statements	(45,829)	416,255
Losses of subsidiaries	2,238	88,010
Difference from recording outright sale transaction	-	32,166
Share in (profit)/loss from associates	-	(38)
Losses ineligible for offsetting against taxable income	-	14,138
Dividend income and shared profit under Business and Investment Co-operation Contracts	(1,055,329)	-
Tax losses carried forward	(265,190)	(118,667)
CIT adjustment of subsidiaries	-	26,367
Others	4,387	518
Estimated tax expense charged to the consolidated statement of profit or loss	4,992,506	4,833,734

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) as at 31 December 2019 and for the year then ended

8. CORPORATE INCOME TAX (continued)

8.2 Deferred tax

	Consolidated statement of financial position		Credit/(charge) to the consolidated statement of profit or loss	
	2019	2018	2019	2018
	VND million	VND million	VND million	VND million
Deferred tax assets				
Expenses allowable for capitalisation for tax purpose in the year	169,727	10,947	155,580	3,184
Accrued expense and deferred revenue	11,349	71,566	(22,190)	63,626
Provision for obsolete inventories	1,622	83,607	(81,985)	83,607
Provision for expected credit loss	23,187	56,417	(33,230)	47,874
Differences arising from revaluation of net asset of subsidiaries at acquisition date	70,030	74,746	(4,716)	(24,146)
Differences arising from revaluation of net asset of subsidiaries under legal merge transaction	77	99,378	(99,301)	99,378
Temporary difference from recording outright sale transaction	-	-	-	(24,041)
Temporary difference arising from accounting for construction contract	7,656	7,656	-	(10,324)
Differences from temporarily non-deductible expenses	8,770	-	8,770	-
Initial recognition and subsequent measurement of lease liabilities	179,167	-	82,900	-
Temporary difference from impairment	28,057	20,286	7,771	20,286
Differences arising from unrealised profit	44,614	-	44,614	-
	544,256	424,603		
Deferred tax liabilities				
Differences arising from revaluation of net asset of subsidiaries at acquisition date	(269,712)	(622,549)	352,837	(520,082)
Taxable temporary differences from measuring financial instruments at amortised cost	(20,311)	(53,229)	1,000	(9,616)
Initial recognition and subsequent measurement of right-of-use asset	(144,737)	-	(89,024)	-
Temporary difference from measuring financial assets at fair value through profit or loss	(215,743)	(666,372)	450,629	66,581
	(550,503)	(1,342,150)		
Net deferred tax credit/(charged) to consolidated statement of profit or loss			773,655	(203,673)
<i>Reflected in the consolidated statement of financial position as follows:</i>				
Deferred tax assets	544,256	424,603		
Deferred tax liabilities	(650,503)	(1,342,150)		
Deferred tax liabilities, net	(106,247)	(917,547)		

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

8. CORPORATE INCOME TAX (continued)

8.2 *Deferred tax* (continued)

Reconciliation of deferred tax assets/(liabilities), net:

	2019 VND million	2018 VND million
Opening balance as of 1 January	(917,547)	(1,130,884)
Tax expense during the year recognised in profit or loss	773,655	(203,673)
Taxable temporary differences outside profit or loss arising from measuring financial instruments at FVPL	-	(732,952)
Taxable temporary difference from measuring financial asset at fair value through other comprehensive income	-	189,992
Taxable temporary difference arisen on disposal of financial asset at fair value through other comprehensive income	-	975,689
Taxable temporary differences outside profit or loss arising from measuring financial instruments at amortised cost and provision for expected credit loss	31,917	(30,122)
Deferred tax arising from initial recognition and subsequent measurement of right-of-use and lease liabilities	2,528	-
Deferred taxes acquired from business combinations	3,200	14,404
Closing balance as of 31 December	(106,247)	(917,547)

Tax loss carried forward

The Company and its subsidiaries are entitled to carry each individual tax losses forward to offset against taxable profits arising within five years subsequent to the year in which the loss was incurred. As at 31 December 2019, the Company and its subsidiaries have aggregated accumulated tax losses of VND62.8 billion available for offset against future taxable profits (31 December 2018: VND1,338 billion).

These are estimated tax loss as per the Company and its subsidiaries' corporate income tax declarations which have not been audited by the local tax authorities as of the date of these the consolidated financial statements. No deferred tax assets were recognised in respect of the aforementioned accumulated tax losses because future taxable profit of the Company and its subsidiaries cannot be ascertained at this stage.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

9. EARNINGS PER SHARE AND DIVIDENDS PER SHARE

9.1 Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2019 VND million	2018 VND million
Profit for the year attributable to equity holders of the parent	22,167,023	14,054,595
Profit attributable to ordinary equity holders of the parent for basic earnings	22,167,023	14,054,595
Weighted average number of ordinary shares:		
	2019	2018
Weighted average number of ordinary shares for basic earnings per share (*)	3,344,926,936	2,102,017,587
Effect of stock dividend (Note 9.2)	-	1,069,902,368
Weighted average number of ordinary shares for basic earnings per share	3,344,926,936	3,171,919,955
Weighted average number of ordinary shares adjusted for the effect of dilution (*)	3,344,926,936	3,171,919,955

(*) The weighted average number of shares has taken into account the weighted average effect of changes in treasury shares during the year

Earnings per share (EPS):

	2019 VND	2018 VND
Basic, profit for the year attributable to ordinary equity holders of the parent	6,627	4,431
Diluted, profit for the year attributable to ordinary equity holders of the parent	6,627	4,431

9.2 Dividends per share

	2019 VND million	2018 VND million
Dividend declared during the year	3,349,514	11,599,024
In which:		
- Stock dividend	-	10,699,024
- Cash dividend (i)	3,349,514	900,000
	2019 VND	2018 VND
Dividends per share	1,000	3,657

- (i) Pursuant to the Resolution No. 01/2019/NQ-DHDCD-VH dated 27 May 2019, the General Meeting of Shareholders of the Company approved the plan on using profit after tax of 2018. Accordingly, the Company will pay cash dividends with ratio of 10% per share (which is equivalent to VND1,000 per share). On 30 July 2019, the Chairwoman approved the Decision No. 03/2019/QD-CTHDQT-VH on declaration of cash dividends to the existing shareholders with aggregate amount of approximately VND3,350 billion from accumulated retained earnings up to 31 December 2018.

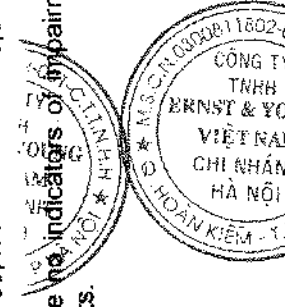
Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

10. PROPERTY AND EQUIPMENT

	Buildings & structures VND million	Machinery & equipment VND million	Means of transportation VND million	Office equipment VND million	Others VND million	Total VND million
Cost:						
31 December 2018	9,768	20,492	76,872	3,897	8,554	119,583
Newly purchased	92	12,862	803	6,157	536	20,450
Transfer from investment properties under construction (Note 13)	258,537	159,849	-	-	-	418,386
Transfer from construction in progress (Note 14)	85,760	1,073	-	-	-	86,833
Acquisition of subsidiaries	23,917	21	-	75	-	24,013
Transfer from inventories (Note 16)	4,904	-	-	-	-	4,904
Sold, disposed	-	(218)	-	(906)	(101)	(1,225)
31 December 2019	382,978	194,079	77,675	9,223	8,989	672,944
Fully depreciated	-	15,256	2,749	1,665	246	19,916
Depreciation:						
31 December 2018	-	6,068	8,278	800	4,002	19,148
Depreciation for the year	11,974	2,351	9,920	3,037	2,136	29,418
Sold, disposed	-	(139)	-	(186)	(35)	(360)
31 December 2019	11,974	8,280	18,198	3,651	6,103	48,206
Net book value:						
31 December 2018	9,768	14,424	68,594	3,097	4,552	100,435
31 December 2019	371,004	185,799	59,477	5,572	2,886	624,738

The Company and its subsidiaries have not performed impairment test because no indicators of impairment have been identified. As a result, management did not recognise any impairment loss for these cash-generating units.



Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

11. INTANGIBLE ASSETS

Cost:	Computer software VND million	Land use rights VND million	Goodwill VND million	Total VND million
As at 1 January 2019 as previously reported				
Impact of adoption of IFRS 16	51,448	378,947 (378,947)	699,600	1,129,995 (378,947)
As at 1 January 2019 as restated	51,448	-	699,600	751,048
Newly purchased	59,203	-	-	59,203
Acquisition of subsidiaries (Note 5.2)	11	-	-	11
Sold, disposed	(1,749)	-	-	(1,749)
31 December 2019	108,913	-	699,600	808,513
Amortisation:				
As at 1 January 2019 as previously reported				
Impact of adoption of IFRS 16	22,898	14,495 (14,495)	-	37,393 (14,495)
As at 1 January 2019 as restated	22,898	-	-	22,898
Amortisation for the year	21,307	-	-	21,307
Sold, disposed	(899)	-	-	(899)
31 December 2019	43,306	-	-	43,306
Net book value:				
As at 1 January 2019 as previously reported				
Impact of adoption of IFRS 16	28,550	364,452 (364,452)	699,600	1,092,602 (364,452)
As at 1 January 2019 as restated	28,550	-	699,600	728,150
31 December 2019	65,607	-	699,600	765,207

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

11. INTANGIBLE ASSETS (continued)

Impairment testing of goodwill for the Company and its subsidiaries

The Company and its subsidiaries performed its annual impairment test and when circumstances indicate the carrying value may be impaired. The Company and its subsidiaries consider the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment.

During the year ended 31 December 2019, the Company and its subsidiaries carried out impairment test for goodwill allocated to Vietnam Investment JSC.

The recoverable amount of the CGU was determined by fair value less cost of disposal for the remaining unsold components of Vinhomes Metropolis project. The fair value measurement was categorized as a Level 3 fair value based on the actual selling price in contracts signed with customers. As a result of this analysis, management assessed that there is no impairment loss for this CGU to which goodwill of VND539 billion is allocated.

Key assumptions used in value in use calculations

The calculation of value in use for goodwill allocated to Vietnam Investment JSC is most sensitive to the following assumptions:

- ▶ Discount rate;
- ▶ Apartment and office selling rate;
- ▶ Money collection progress of office selling;
- ▶ Net selling area of office.

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

- ▶ Apartment and office selling rate - Management recognises that the demand for office can have a significant impact on apartment and office selling rate. A reduction by 0.5% in the office selling rate would not result in an impairment loss;
- ▶ Discount rate - A rise in the pre-tax discount rate to 14.5% (i.e., +0.5%) in the impairment test model would not result in impairment;



Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

12. COMPLETED INVESTMENT PROPERTY

	<i>Land use rights VND million</i>	<i>Buildings and structures VND million</i>	<i>Machinery and equipment VND million</i>	<i>Total VND million</i>
Cost:				
As at 1 January 2019 as previously reported	1,964,673	3,305,897	657,322	5,927,892
Impact of adoption of IFRS 16	167,154	-	-	167,154
As at 1 January 2019 as restated	2,131,827	3,305,897	657,322	6,095,046
Newly purchased	37,382	639,754	-	677,136
Transfer from construction in progress (Note 14)	70,808	364,795	74,695	510,298
Transfer from investment properties under construction (Note 13)	-	53,332	51,066	104,398
Transfer from inventories (Note 16)	8,207	102,362	55,628	166,197
Reversal impairment losses	-	19,570	-	19,570
Other additions	96	19,753	1,272	21,121
Transfer to inventories (Note 16)	(26,798)	(5,098)	-	(31,896)
Sold, disposed	(303,482)	(13,940)	-	(317,422)
Impairment losses (*)	-	(58,410)	-	(58,410)
Other decreases	(40,673)	(4,619)	(76,627)	(121,919)
31 December 2019	1,877,367	4,423,396	763,356	7,064,119
Depreciation:				
1 January 2019	32,478	77,435	55,634	165,547
Depreciation for the year	47,582	85,376	38,371	171,329
Amortisation of ROU assets	8,265	-	-	8,265
Transfer to inventories (Note 16)	-	(216)	-	(216)
Sold, disposed	-	(3,754)	-	(3,754)
31 December 2019	88,325	158,841	94,005	341,171
Net book value:				
As at 1 January 2019 as previously reported	1,932,195	3,228,462	601,688	5,762,345
Impact on adoption of IFRS 16	172,895	-	-	172,895
As at 1 January 2019 as restated	2,099,349	3,228,462	601,688	5,929,499
As at 31 December 2019	1,789,042	4,264,555	669,351	6,722,948

(*) The Company and its subsidiaries have performed impairment test after reviewing indicators of impairment and based its impairment calculations on most recent budgets and forecast calculations of major properties. The recoverable amount of these properties as at 31 December 2019 has been determined based on a fair value calculation using cash flow projections. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections is ranging from 11.48% to 15% (2018: 12.5% to 15%) and cash flows beyond the 5-year period are extrapolated using terminal growth rate 5% (2018: 2% to 5%). As a result of this analysis, as at 31 December 2019, management recognised impairment loss of investment properties including Shophouse, Apartments for lease in Hanoi, Parking components in Vinhomes Central Park project with total amount of about VND58 billion.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

12. COMPLETED INVESTMENT PROPERTY (continued)

As at 31 December 2019, investment properties mainly represent: office-for-lease component in Vinhomes Times City Project; office for lease component of Vincom Center Dong Khoi at No. 72, Le Thanh Ton Street, Ben Nghe Ward, District 1, Ho Chi Minh City; office component of Vinhomes Symphony Project; parking components in Vinhomes Times City, Vinhomes Central Park, Vinhomes Green Bay, Vinhomes Golden River, Vinhomes Symphony, Vinhomes Royal City, Vinhomes Metropolis Projects; Landmark 81 SkyView and villas, apartments, shophouses for lease in other projects.

The fair value of investment properties as estimated by external valuers is presented as below:

	2019 VND million	2018 VND million
Completed investment properties:		
Office for lease component in Vincom Center Dong Khoi	8,683,125	8,356,233
Parking component in Vinhomes Central Park project	2,801,755	2,350,975
Parking component in Vinhomes Royal City project	407,528	413,133
Parking component in Vinhomes Times City project	775,693	769,203
Parking component in Vinhomes Metropolis project	671,495	611,710
Education component in Vincom Mega Mall Royal City	599,715	554,648
Villas for lease in Vinhomes Riverside project	201,449	543,235
Parking component in Vinhomes Golden River project	486,255	479,325
Parking component in Vinhomes Green Bay	207,237	-
Shophouses for lease in Hanoi	310,277	-
Shophouses for lease in Ho Chi Minh City	148,192	-
Apartments for leases in Hanoi	129,668	-
Office for lease component in Vinhomes Times City project	703,912	-
Total	16,126,301	14,078,462

The fair value of investment property based on internal appraisals is presented as below:

	2019 VND million	2018 VND million
Office for lease component in Vinhomes Times City project	-	575,190
Office for lease component in Symphony project	555,720	-
Skyview component of Vinhomes Central Park project	173,663	-

The level at which fair value measurement of these properties is categorised at Level 3.

Valuation technique	Significant unobservable inputs	Range as at 31 December 2019
DCF	Average gross rental (USD/sqm/mth)	20 – 33.5
	Overall annual rental growth	3.98%
	Long-term occupancy rate	60% – 100%
	Discount rate	10.73% – 15%
Income capitalisation	Average net rental (USD/sqm/mth)	15 – 29
	Long-term occupancy rate	60% – 90%
	Capitalization rate	6.75% – 9%

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

12. COMPLETED INVESTMENT PROPERTY (continued)

The fair value of the aforementioned investment properties is estimated using the discounted cash flow method. Accordingly, the fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset.

Revenue and expense relating to investment properties

	2019 VND million	2018 VND million
Rental income derived from investment properties	1,113,647	637,694
Direct operating expenses (including repairs and maintenance) generating rental income (included in cost of sales)	(408,938)	(282,609)

13. INVESTMENT PROPERTY UNDER CONSTRUCTION

	2019 VND million	2018 VND million
Vinhomes Long Beach Can Gio project	12,453,085	12,403,704
Vinhomes Grand Park project	3,988,326	-
Hoc Mon Urban Area project	4,092,295	-
Leman Golf Course and Villa Cu Chi project	1,688,815	1,657,779
Vinhomes Ky Hoa project	1,141,329	1,133,149
Vinhomes Me Linh project	-	641,288
Vinhomes Golden River project	295,399	579,332
Vinhomes Lang Van project	548,341	539,421
Vinhomes Ocean Park project	1,978,912	416,685
Vinhomes Smart City project	2,013,619	315,767
Vinhomes Times City project	127,274	184,924
Other projects	481,048	247,940
TOTAL	28,808,443	18,119,989

The Company and its subsidiaries have performed impairment test after reviewing indicators of impairment and based its impairment calculations on most recent budgets and forecast calculations of major properties. The recoverable amount of these properties as at 31 December 2019 has been determined based on a value in use calculation using cash flow projections. The projected cash flows have been updated to reflect the change in demand for products and services. The discount rate applied to cash flow projections is 13.98% (2018: 12.5% to 15%) and cash flows beyond the 5-year period are extrapolated using terminal growth rate 5% (2018: 2% to 5%). As a result of this analysis, management recognise any impairment loss of VND427 billion for investment properties under construction.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

13. INVESTMENT PROPERTY UNDER CONSTRUCTION (continued)

The fair value of investment properties under construction as estimated by external valuers (comprising office component of Vinhomes Times City project, parking component and commercial area for lease of Vinhomes West Point project, and parking component of Vinhomes Ocean Park project) as at 31 December 2019 is VND458 billion.

The fair value of investment properties under construction based on internal appraisals (comprising parking components at Vinhomes Grand Park and Vinhomes Symphony projects) is VND174 billion.

The level at which fair value measurement of these properties is categorised at Level 3.

<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range as at 31 December 2019</i>
Residual	Average gross rental (USD/sqm/mth)	18 – 20
	Overall annual rental growth	3.98%
	Long-term occupancy rate	50% – 100%
	Discount rate	12.98% – 14%

Besides, the fair value of other components cannot be reliably measured since the Company and its subsidiaries are in progress of obtaining construction permits and approved design master plan for those properties and also has not signed construction contracts with the contractors as at reporting date of the financial statements. Carrying value of these properties as at 31 December 2019 mainly comprise land compensation and site clearance costs, construction costs and land use fee.

Details of movement of investment properties under construction are as follows:

	2019 VND million	2018 VND million
Balance at 1 January as previously reported	18,119,989	2,312,989
Adoption of IFRS 16	346,594	-
Balance as at 1 January as restated	18,466,583	2,312,989
Capital expenditures (i)	2,722,646	902,588
Interest capitalised (ii)	52,457	183,567
Increase from acquisition of subsidiaries (iii)	7,245,771	16,394,238
Increase from acquisition of new projects	50,683	-
Recognition of right-of-use assets	617,540	-
Decrease from disposal of subsidiaries	(641,288)	-
Reclassification to property and equipment (Note 10)	(418,386)	-
Reclassification to completed investment properties (Note 12)	(104,398)	-
Reclassification from/(to) inventories (iv) (Note 16)	816,835	(1,673,393)
Balance at 31 December	28,808,443	18,119,989

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

13. INVESTMENT PROPERTY UNDER CONSTRUCTION (continued)

(i) This includes:

- Additions in 2018 are mainly attributable to the construction cost at Vinhomes Ocean Park project and Vinhomes Times City project, and land compensation and site clearance cost at Vinhomes Long Beach Can Gio project; and
- Additions in 2019 are mainly attributable to the construction cost at Vinhomes Ocean Park project, Vinhomes Smart City project and Vinhomes Grand Park project.

(ii) This includes:

- Additions in 2018 are capitalisation of borrowing cost of Vinhomes Ocean Park project, Vinhomes Smart City project and Vinhomes Long Beach Can Gio project; and
- Additions in 2019 are mainly capitalisation of borrowing cost of Vinhomes Grand Park project and Vinhomes Long Beach Can Gio project.

(iii) This includes:

- Additions in 2018 are from acquisition of Can Gio JSC, GS Cu Chi JSC, Berjaya VFC LLC, Millenium LLC, Lang Van JSC, West Hanoi LLC, Metropolis Hanoi LLC and Berjaya VIUT LLC; and
- Additions in 2019 are from acquisition of Green City JSC and Delta JSC.

(iv) This includes:

- Decreases in 2018 are from reclassification to inventory properties at Vinhomes Ocean Park project; and
- Movements in 2019 are reclassification to/from inventories at Vinhomes Golden River, Vinhomes Ocean Park and Vinhomes Smart City project.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

14. CONSTRUCTION IN PROGRESS

	2019 VND million	2018 VND million
Machines for construction of Vinhomes projects	-	71,112
Floating restaurant component - Vinhomes		
Golden River project	-	62,826
Clubhouse component - Vinhomes Smart City project	-	40,291
Other projects	20,217	32,029
TOTAL	20,217	206,258

Construction in progress comprises capital expenditures, such as construction costs, land compensation and site clearance costs, capitalised borrowing costs, planning and design fee, construction overheads and other related costs incurred in connection with the development of real estate projects owned by the Company and its subsidiaries.

Details of movement of construction in progress are as follows:

	2019 VND million	2018 VND million
Balance as at 1 January as previously reported	206,258	15,282
Impact of adoption of IFRS 16	(456)	-
Balance as at 1 January as restated	205,802	15,282
Capital expenditures	574,331	198,186
Increase from acquisition of new projects	70,808	-
Increase from acquisition of subsidiaries	-	93,232
Reclassification to inventories (Note 16)	(193,302)	-
Change of basic design	(40,291)	-
Reclassification to property and equipment (Note 10)	(86,833)	(15,227)
Reclassification to completed investment properties (Note 12)	(510,298)	(85,215)
Balance as at 31 December	20,217	206,258

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

15. OTHER NON-CURRENT ASSETS

	2019 VND million	2018 VND million
Financial assets:		
Long-term bonds (i)	214,680	99,680
Deposits for investing purpose	73,367	73,367
Equity securities at FVOCI (ii)	35,723	35,723
Long-term deposits for outlet rentals	9,680	17,702
Long-term loans to others	1,000	-
	334,450	226,472
Less allowance for credit losses (Note 33)	(1,646)	(1,866)
Subtotal	332,804	224,606
Non-financial assets:		
Long-term deposits (iii)	1,032,336	1,032,336
Other long-term deposits	86	1,794
Subtotal	1,032,422	1,034,130
TOTAL	1,365,226	1,258,736

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) as at 31 December 2019 and for the year then ended

15. OTHER NON-CURRENT ASSETS (continued)

- (i) As at 31 December 2019, the balances represent four investments in bonds, details are as follows:

<i>Issuer</i>	<i>Ending balance (million VND)</i>	<i>Maturity date</i>	<i>Interest rate</i>
Joint Stock Commercial Bank for Investment and Development of Vietnam	100,000	28 November 2025	Interest rate is equal to the reference interest rate plus 1.3% per annum, of which the reference interest rate is the average of 12-month interest paid-in-arrear VND saving rate for individual, reference from 4 banks (Joint Stock Commercial Bank for Investment and Development of Vietnam, Vietnam Joint Stock Commercial Bank for Industry and Trade, Joint Stock Commercial Bank for Foreign Trade of Vietnam and Vietnam Bank for Agriculture and Rural Development)
Joint Stock Commercial Bank for Foreign Trade of Vietnam	50,000	25 November 2026	Interest rate for the first period is 7.57% per annum; the interest rate from the following years is equal to the 12-month interest paid-in-arrear VND saving rate for individual plus 1% per annum.
Joint Stock Commercial Bank for Investment and Development of Vietnam	49,680	19 December 2028	Interest rate is equal to the reference interest rate plus 1% per annum, of which the reference interest rate is the average of 12-month interest paid-in-arrear VND saving rate for individual.
Vietnam Joint Stock Commercial Bank for Industry and Trade	15,000	29 October 2026	Interest rate is equal to the reference interest rate plus 1% per annum, of which the reference interest rate is the average of 12-month interest paid-in-arrear VND saving rate for individual, reference from 4 banks (Joint Stock Commercial Bank for Investment and Development of Vietnam, Vietnam Joint Stock Commercial Bank for Industry and Trade, Joint Stock Commercial Bank for Foreign Trade of Vietnam and Vietnam Bank for Agriculture and Rural Development)
TOTAL	214,680		

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

15. OTHER NON-CURRENT ASSETS (continued)

- (ii) Equity investments in non-listed companies are classified and measured as equity instruments designated at fair value through OCI as at 31 December 2019. The Company and its subsidiaries elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. Which include the following:

	2019 VND million	2018 VND million
Xavinco Land JSC	22,223	22,223
Thang Long Real Estate JSC	13,500	13,500
TOTAL	35,723	35,723

As at 31 December 2019 and 31 December 2018, the Company and its subsidiaries' equity interests in these entities are as follows:

	2019	2018
Xavinco Land JSC	1.00%	1.00%
Thang Long Real Estate JSC	10.00%	10.00%

- (iii) Balance as at 31 December 2019 represents an unsecured deposit of VND1,032 billion to a corporate counterparty earning interest rate which is determined by 12-month interest paid in arrears VND saving rate of Joint Stock Commercial Bank for Foreign Trade of Vietnam, adjusted each 3-month. The deposit and interest will be used as settlement for 10% of contract value under detailed contracts between the Company and its subsidiaries and this corporate counterparty.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

16. INVENTORIES

Inventories mainly include residential properties which are developed for sale in the ordinary course of business. Revenue from sale of these properties is recognised under the accounting policy set out in Note 2. Construction costs and other expenditures attributable to such properties are included in inventory until disposal. All inventories are recognised at lower of cost and net realisable value.

A summary of movement of inventory is set out below:

	2019 VND million	2018 VND million
As at 1 January	34,956,245	17,073,316
Construction costs incurred to develop inventory properties	29,984,490	18,915,270
Interest capitalised	648,279	276,415
Increase from acquisition of subsidiaries	15,756,189	28,664,608
Increase from acquisition of new projects	3,779,895	-
Increase from construction in progress (Note 14)	193,302	-
Increase from completed investment properties (Note 12)	31,680	-
Cost of goods sold (recognised in cost of sales) (Note 7.10)	(21,410,895)	(27,547,599)
Reclassification (to)/from investment property under construction (Note 13)	(816,835)	1,673,393
Reclassification to completed investment properties (Note 12)	(166,197)	(904,983)
Reclassification to property and equipment (Note 10)	(4,904)	-
Other decreases	(1,267,457)	(3,194,175)
As at 31 December	61,683,792	34,956,245

The classification of inventory balances as at each financial reporting date is as follows:

	2019 VND million	2018 VND million
Inventory property under construction (at cost)	58,544,607	30,973,773
Inventory property under construction (at net realisable value)	-	2,114,653
Trading inventory property (at cost)	528,317	803,101
Trading inventory property (at net realisable value) (i)	33,568	133,953
Completed inventory property (at cost)	2,223,458	327,413
Completed inventory property (at net realisable value) (ii)	33,251	-
Others (at cost)	320,591	603,352
TOTAL	61,683,792	34,956,245

(i) The carrying value of trading inventory property which are subject to provision for net realisable value as at 31 December 2019 is VND34.8 billion (31 December 2018: VND139 billion).

(ii) The carrying value of completed inventory property which are subject to provision for net realisable value as at 31 December 2019 is VND41.8 billion.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

17. TRADE RECEIVABLES

	2019 VND million	2018 VND million
Sales of inventory properties (*)	6,213,265	3,902,743
Receivables from construction services	394,773	414,179
Property management service and related services	118,543	79,453
Receivables from leasing properties and provision of related service	67,449	19,538
	6,794,030	4,415,913
Less allowance for credit losses (Note 33)	(788)	(1,098)
TOTAL	6,793,242	4,414,815

(*) Receivables from sale of inventory properties mainly include the receivables from the transfer of landed house at Vinhomes Green Bay project, Vinhomes Central Park project and Vinhomes Golden River and the transfer of residential apartments at Vinhomes Green Bay project, Vinhomes Golden River project and Vinhomes Central Park project.

Upon adoption of IFRS 9, the Company and its subsidiaries have elected to use the simplified approach for trade receivables from sale of inventory properties to calculate ECLs based on lifetime expected credit losses. However, based on the Company and its subsidiaries' historical credit loss experience with its customers adjusted with forward-looking factors, the Company and its subsidiaries' trade receivables from sale of inventory properties as at 31 December 2019 were not provided with ECL.

18. ADVANCES TO SUPPLIERS

Advances to suppliers mainly include advances to suppliers, construction contractors and consultants of the real estate projects of the Company and its subsidiaries.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

19. SHORT-TERM PREPAYMENTS AND OTHER RECEIVABLES

	2019 VND million	2018 VND million
Financial assets:		
Payment and receipt on behalf of counterparties (i)	2,711,187	513,155
Interest receivables on term deposits and loans to others (ii)	2,563,413	1,170,923
Guarantee deposits for project development and contract performance	518,987	86,527
Deposit for share transfer agreement	341,475	341,475
Deposit for project transfer agreement	-	694,000
Deposit for a business co-operation contract	-	13,950,000
Receivables from share transfer	-	245,949
Others	141,530	260,757
	<u>6,276,592</u>	<u>17,262,786</u>
Less allowance for credit losses (Note 33)	<u>(32,168)</u>	<u>(154,238)</u>
Subtotal	<u>6,244,424</u>	<u>17,108,548</u>
Non-financial assets:		
Deposit for investment purpose (iii)	6,592,629	-
Sales commission and other selling expenses related to inventory properties not yet handed over	1,508,928	833,301
Advances to employees	427,590	224,173
Corporate income tax prepayment (iv)	357,764	154,122
Valued added tax deductible	673,229	119,251
Guarantee fee prepaid related to inventory properties not yet handed over	97,788	-
Tax and other receivables from the State	41,933	94,494
Others	326,045	25,380
	<u>10,025,906</u>	<u>1,450,721</u>
Subtotal	<u>10,025,906</u>	<u>1,450,721</u>
TOTAL	<u>16,270,330</u>	<u>18,559,269</u>

- (i) Balance as at 31 December 2019 mainly pertains to customers' down payments collected by a counterparty for various residential projects on behalf of the Company and its subsidiaries.
- (ii) As at 31 December 2019, this balance mainly comprises interest receivables from secured and unsecured loans and deposits to corporate counterparties.
- (iii) Mainly comprises:
- Deposits of VND3,400 billion to counterparties for the purpose of acquiring shares of a company that owns a real estate project. These deposits are secured by a number of shares of this company; and
 - A deposit of VND2,750 billion to a counterparty for the purpose of acquiring shares of a company that owns a potential project. This deposit is interest-free and secured by a number of shares of a non-listed company.
- (iv) Corporate income tax prepayment represents advance payment of corporate income tax at rate of 1% on the down payment from the customers who enter into agreements to purchase residential properties from the Company and its subsidiaries. Such corporate income tax will be finalised with the tax authority when revenue is recognised for the residential properties upon being handed over to the customers.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

20. SHORT-TERM INVESTMENTS

	2019 VND million	2018 VND million
Loans to others (i)	15,826,130	4,504,600
Current portion of long-term loans to others	26,324	23,257
Short-term bank deposits and certificate of deposits (ii)	360,611	1,009,404
	16,213,065	5,537,261
Less allowance for credit losses (Note 33)	(73,718)	(149,088)
TOTAL	16,139,347	5,388,173

(i) Balances as at 31 December 2019 mainly include:

- Loans to individuals amounting to VND12,001 billion, with terms of 12 months, and earning an interest rate of 10% to 10.15% per annum. These loans are secured by a number of listed shares and capital contributions in several companies.
- Loans to corporate counterparties amounting to VND3,770 billion, with terms of 12 months, and earning interest rate of 9% per annum. These loans are guaranteed by a number of shares of a listed company within the Group, a number of shares and a portion of the capital contribution in the borrowers.

(ii) Short-term bank deposits in VND as at 31 December 2019 have terms ranging from more than 3 months to 12 months, earning interests at rates ranging from 5% to 7% per annum (as at 31 December 2018: from 6.1% to 7.1% per annum).

21. CASH AND CASH EQUIVALENTS

	2019 VND million	2018 VND million
Cash on hand	1,288	2,029
Cash at banks	2,786,932	2,693,166
Cash equivalents	10,544,079	820,177
	13,332,299	3,515,372
Less allowance for credit losses (Note 33)	(4,072)	(1,522)
TOTAL	13,328,227	3,513,850
United States Dollar	2,622	10,475

Cash equivalents as at 31 December 2019 comprise bank deposits in VND with term ranging from 1 month to 3 months, earning interests at rates ranging from 3.9% to 5% per annum (as at 31 December 2018: from 3.9% to 5.5% per annum).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

22. EQUITY INSTRUMENTS

The Company and its subsidiaries recognised a change in fair value (net of tax) of VND0 billion on unquoted equity securities in the consolidated statements of comprehensive income for the year ended 31 December 2019 (2018: VND75 billion).

23. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Number of authorised shares

	2019	2018
Ordinary shares of VND10,000 each (issued and fully paid)	3,349,513,918	3,349,513,918
TOTAL	3,349,513,918	3,349,513,918

Treasury shares

	<i>Numbers of shares</i>	<i>Amount VND million</i>
At 1 January 2019	-	-
Acquisition of treasury shares (i)	60,000,000	5,549,929
At 31 December 2019	60,000,000	5,549,929

- (i) Pursuant to the Resolution No. 20/2019/NQ-HDQT-VH dated 30 October 2019, Board of Directors approved the share buyback to keep as treasury stocks. Accordingly, maximum number of shares to be bought back is 60,000,000 shares, equivalent to 1.79% of charter capital. On 12 December 2019, the Company completed the share buyback of 60,000,000 shares with the average transaction price of VND92,425 per share.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

24. LEASES

The Company and its subsidiaries as a lessee

The Company and its subsidiaries have lease contracts for various items of land, buildings and structures, villas, and machineries used in its operations. Leases of land generally have lease terms of 50 years while buildings and structures have lease terms from 2 to 7 years. The Company and its subsidiaries' obligations under its leases are secured by the lessor's title to the leased assets. The Company and its subsidiaries also have certain leases of machineries with lease terms of 12 months or less and leases of office equipment with low value. The Company and its subsidiaries apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Land VND million	Building and structures VND million	Total VND million
As at 1 January 2019, as previously reported	-	-	-
Effect of adoption of IFRS 16	557,658	326,123	883,781
As at 1 January 2019, as restated	557,658	326,123	883,781
Additions	6,505	41,912	48,417
Depreciation expense	(11,645)	(186,541)	(198,186)
Lease modification	859,812	-	859,812
As at 31 December 2019	1,412,330	181,494	1,593,824

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

24. LEASES (continued)

The Company and its subsidiaries entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. The rollforward analysis of lease liabilities are as follows:

	2019 VND million
As at 1 January 2019, as previously reported	-
Effect of adoption of IFRS 16	2,049,677
At 1 January 2019, as restated	2,049,677
Additions	136,906
Interest expense	192,128
Lease modification	(555,835)
Payments	(767,423)
As at 31 December 2019	1,055,453
<i>In which:</i>	
<i>Current</i>	308,605
<i>Non-current</i>	746,848

The maturity analysis of lease liabilities is disclosed in Note 33.

The following are the amount recognised in the consolidated statements of profit or loss:

	2019 VND million
Depreciation expense of right-of-use assets	198,186
Interest expense on lease liabilities	192,128
Gains arising from sale and leaseback transactions	(152,072)
Total amounts recognised in profit or loss	238,242

The Company and its subsidiaries had total cash outflows for leases of VND767 billion in 2019. The non-cash additions to right-of-use assets and lease liabilities are VND908 billion VND137 billion in 2019.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

24. LEASES (continued)

The Company and its subsidiaries as a lessor

The Company and its subsidiaries, as lessor, lets out office, retail, mixed-use spaces and factory under operating lease agreements. All leases include a clause to enable upward revision of the rental charge after certain lease periods basis according to prevailing market conditions. The lessee is also required to provide a deposit on the properties.

The future minimum rental receivables under these agreements are as follows:

	2019 VND million	2018 VND million
Less than 1 year	610,672	165,716
From 1 to 5 years	614,070	64,755
More than 5 years	410,299	402,647
TOTAL	1,635,041	633,118

Under the Business Co-operation contract signed in February 2012 between the Company and its subsidiaries and Thien Huong Investment JSC regarding the school operations in Vinhomes Royal City project, the Company and its subsidiaries are entitled to the share of Thien Huong's revenue, which is equal to 15% of revenue and can be adjusted according to the agreement. The duration of the Business Co-operation agreement is from February 2012 to the end of August 2043.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

25. SHORT-TERM INTEREST-BEARING LOANS AND BORROWINGS

	2019 VND million	2018 VND million
Short-term loans from banks (Note 25.1)	3,894,815	22,433
Other short-term loans (Note 25.2)	1,960,000	1,960,000
Current portion of long-term corporate bonds (Note 26.1)	12,307,539	3,037,874
TOTAL	18,162,354	5,020,307

25.1 Short-term loans from banks

Balance as at 31 December 2019 is as follows:

Lender	31 December 2019 VND million	Maturity date	Interest rate	Collateral
Vietnam Technological and Commercial Joint Stock Bank	3,700,000	From July 2020 to August 2020	Interest rate for the first period is 10.35% per annum. Interest rate for the following periods is calculated every 3 months on the 19 th as short-term base interest rate for large corporates/LIBOR (+) 2.95% per annum but no lower than the minimum interest rate prescribed by Techcombank for each period, each type of customer corresponding to the time of interest rate adjustment. Interest is paid on a monthly basis.	Project development right, receivables, bank balance related to a Project of a subsidiary located in Ho Chi Minh city and shares in a subsidiary held by the Company, another subsidiary and an affiliate.
Military Commercial Joint Stock Bank	178,181	Principal amount is payable in full in April 2020	12-month VND saving rate for individual (+) 0.7% per annum.	None
Vietnam Prosperity Joint Stock Commercial Bank ("VPBank")	16,634	Principal amount is payable in full in May 2020	9.3% per annum.	Shares of the Company and affiliates held by Vingroup JSC. (*)
TOTAL	3,894,815			

(*) This loan is an integral part of a credit line contract signed between Vingroup JSC and VPBank.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

25. SHORT-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

25.1 Short-term loans from banks (continued)

Balance as at 31 December 2018 is as follows:

<i>Lender</i>	<i>31 December 2018</i> <i>VND million</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Collateral</i>
Vietnam Prosperity Joint-Stock Commercial Bank	22,433	Principal amount is payable in full in June 2019	From 7.8% to 8% per annum	None
TOTAL	22,433			

25.2 Other short-term loans

Balance as at 31 December 2019 is as follows:

<i>Lender</i>	<i>31 December 2019</i> <i>VND million</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Collateral</i>
3 corporate counterparties	1,960,000	From September 2020 to October 2020	9% per annum	None
TOTAL	1,960,000			



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

25. SHORT-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

25.2 Other short-term loans (continued)

Balance as at 31 December 2018 is as follows:

<i>Lender</i>	<i>31 December 2018</i> <i>VND million</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Collateral</i>
3 corporate counterparties	1,960,000	From September 2019 to October 2019	9% per annum	None
TOTAL	1,960,000			

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS

	<i>2019</i> <i>VND million</i>	<i>2018</i> <i>VND million</i>
Corporate bonds (Note 26.1)	15,084,466	17,424,499
Current portion of long-term bonds (Note 25)	(12,307,539)	(3,037,874)
Long-term borrowings (Note 26.2)	4,608,805	4,547,222
TOTAL	7,385,732	18,933,847

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

26.1 Corporate bonds

As at 31 December 2019, the Company and its subsidiaries have the following bonds:

Arranger	31 December 2019 VND million	Maturity date	Interest rate	Collateral
Techcom Securities Joint Stock Company	5,488,373	October 2020	Interest rate for the first and second periods is 9.2% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrear VND saving rate (+) 3.25% per annum. Interest is payable every 6 months.	(i)
	1,979,167	August 2021	Interest rate for the first and second periods is 10% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrear VND saving rate (+) 4.25% per annum. Interest is payable every 6 months.	None
	4,963,969	September 2020	Interest rate for the first and second periods is 10% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrear VND saving rate (+) 4% per annum. Interest is payable every 6 months.	None
	1,875,197	December 2020	Interest rate for the first period is 9.73% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrear VND saving rate (+) 2.9% per annum. Interest is payable every 3 months.	(ii)
<i>In which:</i> Current portion	(12,307,539)			
KB Securities Vietnam Joint Stock Company	797,750	November 2021	Interest rate for the first and second periods is 10.2% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrear VND saving rate from Vietnam Prosperity Joint-Stock Commercial Bank in this period (+) 3.3% per annum. Interest is payable every 6 months.	(iii)
	<u>2,776,927</u>			
<i>In which:</i> Long-term bonds Current portion of long-term bonds	15,084,466 (12,307,539)			

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

26.1 Corporate bonds (continued)

- (i) Collateral of this bond includes a cultural park and eco-tourism project located in Central Vietnam.
- (ii) Collateral of this bond includes a Project of a subsidiary located in Northern Vietnam.
- (iii) Collateral of this bond includes the asset right arising from the Build-Transfer contract of overhead road project along the Ring Road 2; a part of assets and asset right of an urban functional area Project located in Northern Vietnam and a number of listed shares of a company within the Group.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

26.1 Corporate bonds (continued)

As at 31 December 2018, the Company and its subsidiaries have the following bonds:

Arranger	31 December 2018 VND million	Maturity date	Interest rate	Collateral
Techcom Securities Joint Stock Company	5,445,283	October 2020	Interest rate for first and second period is 9.2% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrears VND saving rate (+) 3.25% per annum. Interest is payable every 6 months.	(i)
	4,931,684	September 2020	Interest rate for first and second period is 10% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrears VND saving rate (+) 4% per annum. Interest is payable every 6 months.	None
	3,037,874	December 2019	Interest rate for first period is 8.12% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrears VND saving rate from Vietnam Technological and Commercial Joint Stock Bank in this period (+) 1.62% per annum, no less than 8.12% per annum. Interest is payable every 3 months.	(ii)
	1,969,803	August 2021	Interest rate for first and second period is 10% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrears VND saving rate (+) 4.25% per annum. Interest is payable every 6 months.	None
	1,850,200	December 2020	Interest rate for first period is 9.73% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrears VND saving rate (+) 2.9% per annum. Interest is payable every 3 months.	(ii)
<i>In which:</i>				
Current portion	(3,037,874)			
KB Securities Vietnam Joint Stock Company	199,655	November 2021	Interest rate for first and second period is 10.2% per annum. Interest rate for the following periods is calculated as 12-month interest paid-in-arrears VND saving rate from Vietnam Prosperity Joint-Stock Commercial Bank in this period (+) 3.3% per annum. Interest is payable every 3 months.	(ii)
TOTAL	14,386,625			
<i>In which:</i>				
Long-term bonds	17,424,499			
Current portion of long-term bonds	(3,037,874)			

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

26.1 Corporate bonds (continued)

- (i) Collateral of this bond includes a cultural park and eco-tourism project located in Central Vietnam.
- (ii) Collateral of this bond includes a Project of a subsidiary located in Northern Vietnam.
- (iii) Collateral of this bond includes the asset right arising from the Build-Transfer contract of overhead road project along the Ring Road 2; a part of assets and asset right of an urban functional area Project located in Northern Vietnam and a number of listed shares of a company within the Group.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

26.2 Long-term borrowings

Balance as at 31 December 2019 is as follows:

Lender	31 December 2019 VND million	Maturity date	Interest rate	Note
Vietnam Technological and Commercial Joint Stock Bank	1,371,098	January 2021	Interest rate for the first period is 10% per annum. Interest rate for the following periods is calculated as the average of 12-month interest paid-in-arrears VND saving rate for individual from 4 state-owned banks: Vietcombank, Vietinbank, BIDV and Agribank, plus 3.33% per annum. Interest is payable in each three-month period and on the 18 th .	(i)
3 corporate counterparties	3,237,707	July 2021	9% per annum	None
	<u>4,608,805</u>			

(i) Capital contribution amount of a subsidiary in another subsidiary.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

26. LONG-TERM INTEREST-BEARING LOANS AND BORROWINGS (continued)

26.2 Long-term borrowings (continued)

Balance as at 31 December 2018 is as follows:

Lender	31 December 2019 VND million	Maturity date	Interest rate	Note
Vietnam Technological and Commercial Joint Stock Bank	1,421,098	January 2021	Interest rate for the first period is 10% per annum. Interest rate for the following periods is calculated as the average of 12-month interest paid in-arrears VND saving rate for individual from 4 state-owned banks: Vietcombank, Vietinbank, BIDV and Agribank, plus 3.33% per annum. Interest is payable in each three-month period and on the 18 th .	(ii)
2 corporate counterparties	3,126,124	May 2020	9% per annum	None
TOTAL	4,547,222			

(ii) Capital contribution amount of a subsidiary in another subsidiary and VRE shares held by an affiliate.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

27. DEPOSITS AND DOWN PAYMENTS FROM CUSTOMERS

	2019 VND million	2018 VND million
Financial liabilities:		
Deposit from tenants to be refunded within the next 12 months	225,098	322,153
Subtotal	225,098	322,153
Non-financial liabilities:		
Deposits and down payments from customers for purchases of residential and investment properties (i)	74,968,551	19,056,867
Advances from construction management and consultancy services	312,248	273,235
Subtotal	75,280,799	19,330,102
TOTAL	75,505,897	19,652,255

- (i) These balances mainly include contract liability from sale and purchase agreements with customers to purchase apartments, villas and shophouses at Vinhomes Ocean Park, Vinhomes Grand Park, Vinhomes Smart City, Vinhomes Marina, Vinhomes West Point and Vinhomes Metropolis projects.

28. ACCRUALS AND WARRANTY PROVISIONS

28.1 Short-term accruals

	2019 VND million	2018 VND million
Financial liabilities:		
Accrual for construction costs	7,985,606	3,707,591
Accrued selling and marketing costs	2,977,990	1,572,444
Accrued loan and bond interests	635,707	486,745
Others	149,549	152,651
Subtotal	11,748,852	5,919,431
Non-financial liabilities:		
Provision for uncertain Corporate Income Tax	909,534	-
Subtotal	909,534	-
TOTAL	12,658,386	5,919,431

28.2 Long-term accruals

This represents accrued interest expenses incurred from loans from external parties.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

28. ACCRUALS AND WARRANTY PROVISIONS (continued)

28.3 Warranty provisions

Based on the past experience on the expenses incurred for the repair works for inventory properties which were sold to the customers but were still under warranty term, the Company and its subsidiaries recognised warranty provision for expenses which may incur in relation to apartments, villas and shophouses sold during the years.

Details of movement of warranty provisions during the years are as follows:

	2019 VND million	2018 VND million
As at 1 January	189,387	56,818
Increase from acquisition of subsidiaries	-	138,663
Additional provisions made in the year	22,587	41,955
Amounts used during the year	(28,128)	(44,197)
Unused amounts reversed during the year	(41,854)	(3,852)
As at 31 December	141,992	189,387

29. LONG-TERM AND SHORT-TERM DEFERRED REVENUES

Long-term and short-term deferred revenues of the Company and its subsidiaries mainly come from contract liability for management services provided to customers who bought apartments and villas for the projects held by the Company and its subsidiaries.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

30. OTHER CURRENT LIABILITIES

	2019 VND million	2018 VND million
Financial liabilities:		
Maintenance fund held on behalf of customers (i)	1,208,885	1,549,065
Receipt from customer on behalf	74,222	567,393
Deposits for disposal of investments (ii)	561,000	-
Others	365,230	770,334
Subtotal	2,209,337	2,886,792
Non-financial liabilities:		
Value added tax payable	114,901	412,631
Deposits for disposal of investments (ii)	6,158,985	-
Payables to employees	-	777
Others	119,777	9,411
Subtotal	6,393,663	422,819
TOTAL	8,603,000	3,309,611

(i) This is the balance of maintenance fund held on behalf of customers which has not been handed over to Building Management Boards.

(ii) These represent amounts received from corporate counterparties for share transfer in certain companies.

31. COMMITMENTS

Commitments related to capital expenditure of on-going real estate projects and development of potential real estate projects

The Company and its subsidiaries have entered into a number of contracts relating to the development of certain real estate projects. The outstanding commitment on these contracts as at 31 December 2019 amounts to approximately VND13,161 billion (as at 31 December 2018: VND7,266 billion).

On 25 June 2019, a subsidiary of the Company has entered into a Project Transfer Agreement ("PTA") with counterparties to acquire a real estate project. The total consideration payable will be determined as the total of land use rights, assets value and other general expenses directly attributable to this real estate project incurred by counterparties up to the acquisition date. As at 31 December 2019, the remaining commitment under this agreement amounts to VND172.5 billion.

Under a Business Co-operation Contract dated 23 November 2017 between Royal City JSC and a counterparty, Royal City JSC commits to contribute 100% investment capital for a potential real estate project in Hanoi. The total estimated capital is VND790 billion, the remaining commitment of this agreement as at 31 December 2019 is VND782.1 billion.

On 25 May 2018, the Company and Can Gio JSC, a subsidiary, have entered into a Capital Transfer Agreement with a corporate counterparty to acquire 32.5% of Berjaya VFC LLC's equity interest. As at 31 December 2019, the commitment under this agreement is VND503.7 billion.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

32. FINANCIAL ASSETS THROUGH PROFIT OR LOSS

	2019 VND million	2018 VND million
Non-current assets		
Equity instrument measured at fair value through profit or loss (i)	180,000	-
Total	180,000	-
Current assets		
Equity instrument measured at fair value through profit or loss (ii)	342,909	342,909
Short-term deposit to related parties (iii)	9,578,801	16,061,992
Total	9,921,710	16,404,901

- (i) Investments in SV Real Estate JSC and SV West Hanoi JSC with total amount of VND180 billion with 4% equity interests in each entity.
- (ii) Investment in Phat Loc LLC is classified as a financial asset at FVPL as at 31 December 2019 with an amount of VND343 billion with 51% equity interests in this entity.
- (iii) Balance as at 31 December 2019 is mainly from deposits to Vingroup JSC pursuant to Business and Investment Co-operation contracts to develop potential real estate projects (Vinhomes Riverside The Harmony, Vinhomes Imperia Hai Phong, Vinhomes Dragon Bay, and Vinhomes Star City Thanh Hoa) and a deposit to Central Park LLC, an affiliate pursuant to a Business and Investment Co-operation contract to develop potential real estate project (Vinhomes Skylake). Under the contracts, the Company and its subsidiaries will receive a percentage of the relevant project's profit before tax and profit after tax through a mechanism of profit sharing on a periodical basis depending on the project's operating result for each period.

The deposits are considered debt instrument and classified as short-term financial assets measured at FVPL due to the nature of its contractual cashflows.

The Company and its subsidiaries use the Discounted Cash Flow (DCF) method in the calculation of the fair value of the expected future cash flows from the BCCs. The gain in the fair value of the instruments at initial recognition of VND3,774 billion (net of tax VND3,019 billion) was recognised as an increase of other reserve in the consolidated statement of changes in equity due to the nature of the relationship between the Company and Vingroup JSC and Central Park LLC (subsidiary of Vingroup JSC). After initial recognition, the Company recognised the change in the fair value of the deposits, including accretion of interest, amounting to VND4,914 billion as part of other operating income for the year ended 31 December 2019 (Note 7.3).



Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

32. FINANCIAL ASSETS THROUGH PROFIT OR LOSS (continued)

Shown below are the movements during the year:

	2019 VND million	2018 VND million
At 1 January	16,061,992	-
BCC initial deposit	-	12,735,318
Fair value difference on initial recognition	-	3,774,304
Derecognition of deposit	-	(2,977,897)
Cash receipt	(11,397,442)	(6,649,926)
Adjustment to fair value (Note 7.3)	4,914,251	9,180,193
At 31 December	9,578,801	16,061,992

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Fair value

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amount of financial assets and liabilities, other than those presented in the fair value table in part C below, is reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date, or they are fixed rate instruments that approximate to market interest rates on the reporting date.

B. Fair value of financial instruments that are carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2019 VND million	2018 VND million
Financial assets		
Financial assets measured at FVPL (Note 32) (*)	9,578,801	16,061,992

(*) Financial assets measured at FVPL: Fair value deposits to corporate counterparties pursuant to Business and Investment Co-operation contracts whose cash flow forecasts are estimated (level 3 fair value).

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Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Fair value (continued)

C. Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2019		2018	
	Carrying amount VND million	Fair value VND million	Carrying amount VND million	Fair value VND million
Financial assets				
Financial assets for which fair values are disclosed				
Short-term receivable from related parties	1,401,613	1,414,477	1,419,117	1,414,646

For financial assets and financial liabilities for which fair values are only disclosed, the Company and its subsidiaries use the inputs derived from bank loans or borrowing rates for similar financial assets and financial liabilities with maturities consistent with those remaining for the financial assets or financial liabilities being valued (level 3 fair value).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year ended 31 December 2019

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Valuation processes

For recurring and non-recurring fair value measurements categorised within Level 3 of the fair value hierarchy, the Company and its subsidiaries use its valuation processes to decide its valuation policies and procedures and analyse changes in fair value measurements from period to period.

The Company and its subsidiaries' fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the business divisions. Once submitted, fair value estimates are also reviewed and challenged by the Management.

The Valuer validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources;
- Re-performing model calculations; and
- Evaluating and validating input parameters.

The Management also challenges the model calibration on at least an annual basis or when significant events in the relevant markets occur. The Management is responsible for ensuring that the final reported fair value figures are in compliance with IFRS and proposes adjustments when needed. When relying on third-party sources (e.g. broker quotes, or other micro or macro-economic inputs), the Management is also responsible for:

- Verifying and challenging the approved list of providers; and
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements.

Valuation techniques and specific considerations for Level 3 inputs are further explained below.

Valuation methods and assumption

The following methods and assumptions were for the estimation of recurring fair value measurements categorised within level 3 of the fair value hierarchy:

- Fair value of the deposits for Business and Investment Co-operation contract to develop potential real estate projects which are financial assets measured at FVPL has been estimated using DCF model. Such DCF was based on the Company's estimates of its share in the pre-tax income and after-tax income of the Projects after considering the current saleable inventories and progress of construction of the projects, as well as the budgeted cost to complete the Projects and expected selling and administrative costs. The net cash flows are discounted using a discount rate reflecting the Projects' risks and the sale price is determined based on similar properties marketed by the Group.

The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these deposits;

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year ended 31 December 2019

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Valuation methods and assumption (continued)

- The Company's investments in unquoted shares are classified as financial assets measured at FVOCI and FVPL. The fair values of investments in unquoted shares of Thang Long JSC, Xavinco JSC, SV Real Estate JSC and SV West Hanoi JSC have been estimated using net asset valuation (NAV) model. Under NAV model, the valuation requires management to make assumption about multiple of net asset value with lack of marketability;
- For the other investment (included investment in Phat Loc LLC), the Company had plans to sell this investment and, as such, used the expected selling price in the disposal transaction as the deemed fair value of the investment;

As the difference between fair value and carrying amount is immaterial, the Company assesses that the carrying value of the investment in unquoted shares reflects the best estimate of fair value as at 31 December 2019; and

Description of significant unobservable inputs to valuation

As at 31 December 2019

	Valuation technique	Significant unobservable inputs	Rate/Amount	Sensitivity of the input to fair value
Deposit for business co-operation contracts	DCF method	Pre-tax cost of debt	9%-11%	Decrease in the pre-tax cost of debt would result in increase in fair value (effects to Statement of Profit or Loss) by VND139.5 billion
		WACC	12%-14%	Increase (decrease) in the WACC would result in decrease (increase) in fair value (effects to Statement of Profit or Loss) by VND84.7 billion/ VND37.6 billion
		Selling price	20% increase (decrease) in forecasted selling price	20% increase (decrease) in selling price would result in increase (decrease) in fair value (effects to Statement of Profit or Loss) by VND1,520 billion
Unquoted equity securities	Net asset valuation model	Multiple Price/Book value of Equity	0.23 - 1.22	Increase (decrease) in the net asset value would result in increase (decrease) in fair value (effects to Other comprehensive income) by VND47 billion/VND167 billion
	DCF method	WACC	13%-15%	Increase (decrease) in the WACC would result in increase (decrease) in fair value (effects to Other comprehensive income) by VND2.3 billion/VND3.9 billion

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Description of significant unobservable inputs to valuation (continued)

The Company and its subsidiaries' financial liabilities comprise payables to related parties, loans and borrowings, accruals, corporate bonds, trade and other payables. The main purpose of these financial liabilities is to finance the Company and its subsidiaries' operations. The Company and its subsidiaries also have various financial assets such as trade and other receivables, loans, equity investments, cash and short-term deposits, which arise from its normal operations.

The Company and its subsidiaries are exposed to market risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risks include payables to related parties, loans and borrowings, trade and other payables, trade receivables and term deposits.

The sensitivity analyses in the following sections related to the position as at 31 December 2019 and 31 December 2018.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company and its subsidiaries' exposure to the risk of changes in market interest rates relates primarily to the Company and its subsidiaries' debt obligations with floating interest rates. The Company and its subsidiaries manage its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. Most lending of the Company and its subsidiaries have fixed interest rates and therefore, the impact of changes in interest rate on profit before tax is insignificant.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates expected over the following financial year. With all other variables held constant, the Company and its subsidiaries' profit before tax is affected through the impact on floating rate borrowings as follows.

	<i>Increase/(decrease) in basis points</i>	<i>Effect on profit before tax VND million</i>
2019		
VND	40	(35,337)
VND	(40)	35,337
2018		
VND	25	(16,269)
VND	(25)	16,269

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Equity price risk

The Company and its subsidiaries' equity securities are susceptible to market price risk arising from uncertainty about future values of the investment securities. The Company and its subsidiaries manage equity price risk by placing a limit on equity investments. The Company and its subsidiaries' Board of Directors reviews and approves all equity investment decisions. The sensitivity analysis of equity price risk is presented in the description of significant unobservable inputs to valuation section above.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Company and its subsidiaries are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and lending to related parties.

Counterparty credit risk is managed by each business unit subject to the Company and its subsidiaries' established policy, procedures and control relating to counterparty credit risk management. Credit quality of a counterparty is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding counterparty receivables and contract assets are regularly monitored and any shipments to major counterparties are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as disclosed in the following notes:

Trade receivables from sale of inventory properties and construction services (Note 17)

Customer credit risk is managed when the Company and its subsidiaries generally require the customers to make deposits for leasing of office, retail areas and for construction services. The Company and its subsidiaries manage this credit risk by regularly monitoring the collection progress from these customers and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND0.8 billion (31 December 2018: VND1.1 billion).

Other receivables (Note 19)

Other credit risk also arises from receivables from corporate customers and individuals. The Company and its subsidiaries manage this credit risk by regularly monitoring the collection progress from these customers and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND32.2 billion (31 December 2018: VND154 billion).

Short-term investments to others (Note 20)

Customer credit risk also arises from the loans provided to other counterparties (Note 20). Certain loans are not secured or secured by the unquoted securities. The Company and its subsidiaries manage this credit risk by regularly monitoring the collection progress from these counterparties and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND72.5 billion (31 December 2018: VND140 billion).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Credit risk (continued)

Deposits with banks and financial institutions (Note 20)

Credit risk from deposits with banks and financial institutions is managed by the Company and its subsidiaries' treasury in accordance with the Company and its subsidiaries' policy, which is to place deposits with reputable banks and financial institutions and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND1.1 billion (31 December 2018: VND8 Billion).

Cash and cash equivalents (Note 21)

Credit risk from cash and cash equivalents is managed by the Company and its subsidiaries' treasury in accordance with the Company and its subsidiaries' policy, which is to place cash and cash equivalent with reputable banks and financial institutions and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND4 billion (31 December 2018: VND1.5 Billion).

Long term receivables with related parties (Note 34)

Other credit risk also arises from receivables to related parties. The Company and its subsidiaries manage this credit risk by regularly monitoring the collection progress from these counter parties and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND0 billion (31 December 2018: VND10 billion).

Short term receivables with related parties (Note 34)

Other credit risk also arises from receivables to related parties. The Company and its subsidiaries manage this credit risk by regularly monitoring the collection progress from these counter parties and assesses if there is any impairment on the outstanding balance, which as at 31 December 2019 is VND64.4 billion (31 December 2018: VND64.5 billion).

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Allowance for credit losses

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- ▶ Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- ▶ Impact on the measurement of ECL due to changes in PDs, LGDs and EADs in the period, arising from regular refreshing of inputs to models;
- ▶ Impacts on the measurement of ECL due to changes made to models and assumptions; and
- ▶ Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Other non-current assets (Note 15)

Currency: VND million

	2019					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Lifetime ECL	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		Simplified Approach	
Balance at beginning of year:	1,866	-	-	-	-	1,866
Movements with profit or loss impact						
Transfers						
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-	-	-
New financial assets originated or purchased	983	-	-	-	-	983
Changes in PDs/LGDs/EADs	(1,203)	-	-	-	-	(1,203)
Changes in model assumptions and methodologies	-	-	-	-	-	-
Financial assets derecognized during the year	-	-	-	-	-	-
Balance at end of year	1,646	-	-	-	-	1,646

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Allowance for credit losses

Short-term prepayment and other receivables (Note 19)

Currency: VND million

	2019					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Lifetime ECL	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		Simplified Approach	
Balance at beginning of year:	125,533	-	28,706	-	-	154,238
Movements with profit or loss impact						
Transfers						
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-	-	-
New financial assets originated or purchased	3,214	-	-	-	-	3,214
Changes in PDs/LGDs/EADs	(221)	-	-	-	-	(221)
Changes in model assumptions and methodologies	-	-	-	-	-	-
Financial assets derecognized during the year	(125,063)	-	-	-	-	(125,063)
Balance at end of year	3,463	-	28,705	-	-	32,168

Short-term investments (Note 20)

Currency: VND million

	2019					
	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	Lifetime ECL	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		Simplified Approach	
Balance at beginning of year:	79,088	-	70,000	-	-	149,088
Movements with profit or loss impact						
Transfers						
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-	-	-
New financial assets originated or purchased	1,135	-	-	-	-	1,135
Changes in PDs/LGDs/EADs	(67,507)	-	-	-	-	(67,507)
Changes in model assumptions and methodologies	-	-	-	-	-	-
Financial assets derecognized during the year	(8,998)	-	-	-	-	(8,998)
Balance at end of year	3,718	-	70,000	-	-	73,718

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Allowance for credit losses

Trade receivables from sale of inventory properties and construction services (Note 17)

Currency: VND million

	2019					Total
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Lifetime ECL Simplified Approach	
	12-month ECL	Lifetime ECL	Lifetime ECL			
Balance at beginning of year:	-	-	-	-	1,098	1,098
Movements with profit or loss impact						
Transfers						
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-	-
Changes in PDs/LGDs/EADs	-	-	-	-	(310)	(310)
Changes in model assumptions and methodologies	-	-	-	-	-	-
Financial assets derecognized during the year	-	-	-	-	-	-
Balance at end of year	-	-	-	-	788	788

Cash and cash equivalents (Note 21)

Currency: VND million

	2019					Total
	Stage 1	Stage 2	Stage 3	Purchased credit- impaired	Lifetime ECL Simplified Approach	
	12-month ECL	Lifetime ECL	Lifetime ECL			
Balance at beginning of year:	1,522	-	-	-	-	1,522
Movements with profit or loss impact						
Transfers						
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-	-	-
New financial assets originated or purchased	4,033	-	-	-	-	4,033
Changes in PDs/LGDs/EADs	(36)	-	-	-	-	(36)
Changes in model assumptions and methodologies	-	-	-	-	-	-
Financial assets derecognized during the year	(1,447)	-	-	-	-	(1,447)
Balance at end of year	4,072	-	-	-	-	4,072

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Allowance for credit losses

Amount due from related parties (Note 34)

	2019					Total
	Stage 1	Stage 2	Stage 3	Purchased	Lifetime	
	12-month ECL	Lifetime ECL	Lifetime ECL	credit- impaired	ECL Simplified Approach	
Balance at beginning of year:	74,593	743	-	-	-	75,336
Movements with profit or loss impact						
Transfers						
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Transfers from Stage 2 to Stage 1	-	-	-	-	-	-
New financial assets originated or purchased	43,789	-	-	-	-	43,789
Changes in PDs/LGDs/EADs	(5,918)	-	-	-	-	(5,918)
Changes in model assumptions and methodologies	-	-	-	-	-	-
Financial assets derecognized during the year	(48,038)	(743)	-	-	-	(48,781)
Balance at end of year	64,426	-	-	-	-	64,426

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year ended 31 December 2019

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Liquidity risk

The Company and its subsidiaries' objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and corporate bonds. The Company and its subsidiaries have managed this liquidity risk by arranging for long-term credit facilities with the banks, or issuing long-term corporate bonds, to ensure that the loans/bonds will be repaid after the Company and its subsidiaries has completed and put into commercial operations of its real estate projects.

The Company and its subsidiaries determine the liquidity risk based on terms of contracts. For accruals and other liabilities, the Company and its subsidiaries use its judgement to determine the appropriate level of liquidity risk arising from these liabilities.

The table below summarises the maturity profile of the Company and its subsidiaries' financial liabilities based on contractual undiscounted payments.

2019	On demand VND million	Less than 1 year VND million	1 to 5 years VND million	Over 5 years VND million	Total VND million
Interest-bearing loans and borrowings	-	19,940,528	8,356,689	-	28,297,217
Customers' deposits	168,393	40,416	84,128	821	293,758
Trade payables	5,530,098	-	-	-	5,530,098
Amount due to related parties	1,312,108	-	1,081,000	-	2,393,108
Accruals	11,113,145	635,707	370,071	-	12,118,923
Lease liabilities	-	318,711	670,269	5,570,027	6,559,007
Other liabilities	2,209,337	-	-	-	2,209,337
	20,333,081	20,935,362	10,562,157	5,570,848	57,401,448
2018	VND million	VND million	VND million	VND million	VND million
Interest-bearing loans and borrowings	-	7,239,715	20,493,232	-	27,732,947
Customers' deposits	319,419	30,004	68,329	438	418,190
Trade payables	2,173,771	-	-	-	2,173,771
Amount due to related parties	478,719	2,390,854	7,046,228	-	9,915,801
Accruals	5,432,686	486,745	102,099	-	6,021,530
Other liabilities	2,886,792	-	-	-	2,886,792
	11,291,387	10,147,318	27,709,888	438	49,149,031

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year ended 31 December 2019

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Capital management

For the purpose of the Company and its subsidiaries' capital management, capital includes issued capital, preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Company and its subsidiaries' capital management is to ensure that it maintains healthy capital ratios in order to support their business and maximise shareholder value.

The Company and its subsidiaries manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and its subsidiaries may adjust the dividend payment to shareholders. The Company and its subsidiaries monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company and its subsidiaries include within net debt, interest-bearing loans and borrowings, less cash, cash equivalents and short-term deposits at banks and financial institutions.

	2019 VND million	2018 VND million
Interest-bearing loans and borrowings	25,548,086	23,954,154
Less cash, cash equivalents and short-term deposits at banks and financial institutions	(13,692,910)	(4,524,776)
Net debt	11,855,176	19,429,378
Equity	58,550,325	45,378,786
Total capital	58,550,325	45,378,786
Capital and net debt	70,405,501	64,808,164
Gearing ratio	17%	30%

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year ended 31 December 2019

33. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Changes in liabilities arising from financing activities

	1 January 2019	Cash flows	Others	Currency: VND million 31 December 2019
Current borrowings from related parties (Note 34)	1,382,606	(2,425,106)	1,042,500	-
Current interest-bearing loans and borrowings from third parties (Note 25)	5,020,307	1,722,382	11,419,665	18,162,354
Non-current interest-bearing loans and borrowings from third parties (Note 26)	18,933,847	(202,000)	(11,346,115)	7,385,732
Non-current interest-bearing loans and borrowings from related parties (Note 34)	6,352,966	(4,650,500)	(954,811)	747,655
Total liabilities from financing activities	31,689,726	(5,555,224)	161,239	26,295,741
	1 January 2018	Cash flows	Others	31 December 2018
Current borrowings from related parties (Note 34)	6,002,692	9,526,711	(14,146,797)	1,382,606
Current interest-bearing loans and borrowings from third parties (Note 25)	1,999,156	292,000	2,729,151	5,020,307
Non-current interest-bearing loans and borrowings from third parties (Note 26)	6,627,687	6,149,533	6,156,627	18,933,847
Non-current interest-bearing loans and borrowings from related parties (Note 34)	-	(1,505,000)	7,857,966	6,352,966
Non-current interest-bearing deposit from related parties	-	(4,500,000)	4,500,000	-
Total liabilities from financing activities	14,629,535	9,963,244	7,096,947	31,689,726

The 'Others' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings and change in amortised cost of interest-bearing loans and borrowings.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties for the year ended 31 December 2019 and 31 December 2018 are as follows:

			Currency: VND million	
Related parties	Relationship	Transactions	Current year	Previous year
Vingroup JSC	Parent company	Deposit under project development agreements, project transfer agreements and share transfer agreements	22,790,474	15,760,946
		Collection of deposit under project development agreements, project transfer agreements and share transfer agreements	(13,272,604)	-
		Collection of contribution to Business and Investment Co-operation Contracts	(7,825,000)	-
		Contribution for Business and Investment Co-operation Contract	280,000	-
		Receivables from down payments from customers under sales and purchase agreements	6,038,847	-
		Collection of down payments from customers under sales and purchase agreements	(5,950,000)	-
		Receivables from shared profit from Business and Investment Co-operation Contracts	3,014,466	6,626,813
		Collection of shared profit from Business and Investment Co-operation Contracts	(3,302,430)	(5,331,992)
		Project transfer payables	(3,147,470)	-
		Project transfer paid	918,020	-
		Net off deposit under share transfer agreements with project transfer payables	2,229,450	-
		Management services payables	(675,356)	(194,578)
		Management services paid	389,797	159,844
		Repayment of borrowings	54,606	25,458,929
		Borrowings	-	(23,860,000)
		Payables for collection on behalf related to sale of properties	(38,654)	(623,738)
		Repayment for collection on behalf related to sale of properties	5,321	1,800,760
		Receivables from cash centralised account	15,779	65,940,871
		Receipt from cash centralised account	(15,786)	(66,017,770)
		Dividend payables	(2,333,164)	(11,545,124)
		Dividend paid in cash	2,333,164	890,100
		Dividend paid in shares	-	10,655,024
		Receivables from share transfer	-	893,000
		Receipt from share transfer	-	(10,515,252)
		Receipt from share issuance	-	(9,500,000)
		Decrease in share capital due to demerger	-	1,568,885
		Payables for share transfer	-	(4,814,154)
		Payment for share transfer	-	4,814,154
		Lending	-	1,238,891
		Collection of lending	-	(1,238,891)
		Interest payables	(107)	(377,397)
		Payment for management fees and brand name Royalty fee	-	502,875

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions with related parties for the year ended 31 December 2019 and 31 December 2018 are as follows: (continued)

Currency: VND million

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Current year</i>	<i>Previous year</i>
Xavinco Land JSC ("Xavinco JSC")	Affiliate	Repayment of borrowings	258,500	966,000
		Borrowings	-	(840,000)
Xalivico LLC	Affiliate	Borrowings	(184,000)	(840,000)
		Repayment of borrowings	8,500	966,000
Central Park Development LLC ("Central Park LLC")	Affiliate	Receivables from shared profit from Business and Investment Co-operation Contracts	1,610,168	-
		Repayment of borrowings	1,435,000	1,775,000
		Borrowings	(290,000)	(1,050,000)
		Lending	800,000	-
		Collection of lending	(145,000)	-
		Capital contribution for Business and Investment Co-operation Contract	-	490,000
Vietnam Grand Prix LLC ("Grand Prix LLC")	Affiliate	Repayment of borrowings	808,000	-
		Borrowings	-	(940,000)
Vinschool One Member LLC ("Vinschool LLC")	Affiliate	Collection of disposals of assets	-	(914,441)
		Receivables from disposal of assets	-	914,441
		Repayment of borrowings	-	735,000
Vinmec International General Hospital JSC ("Vinmec JSC")	Affiliate	Receivables from share transfer	-	894,000
Vincommerce General Commercial Services JSC ("Vincommerce JSC")	Affiliate (until 30 December 2019)	Lending	1,000,000	14,550,000
		Collection of lending	(1,000,000)	(15,060,000)
		Borrowings	-	(3,560,000)
		Repayment of borrowings	-	3,560,000
		Payables for share transfer	-	(3,000,000)
		Payment for share transfer	-	3,000,000
		Payables for goods purchased	(121,391)	(2,102,622)
		Payment for goods purchased	108,548	2,519,664

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Significant transactions with related parties for the year ended 31 December 2019 and 31 December 2018 are as follows: (continued)

Currency: VND million

Related parties	Relationship	Transactions	Current year	Previous year
Vinfast Producing and Trading LLC ("Vinfast LLC")	Affiliate	Lending	19,250,000	-
		Collection of lending	(17,600,000)	-
		Repayment of borrowings	3,240,000	26,005,000
		Borrowings	-	(27,164,000)
		Payment for interest	179,755	-
		Interest payables	(10,184)	(401,789)
Vinpearl JSC	Affiliate	Lending	9,127,900	-
		Collection of lending	(5,170,000)	-
		Deposit received for Investment Co-operation contract	-	(2,199,807)
		Receivables from general contractor services	711,961	1,564,845
		Repayment of borrowings	1,745,000	7,875,000
		Borrowings	-	(9,620,000)
Phu Quoc Tourism Development and Investment JSC ("Phu Quoc Tourism JSC")	Parent's associate	Refund of deposit for general contractor services	-	1,961,800
		Receipt of deposit for the general contractor services	-	(1,961,800)
Kind Heart Foundation	Under common owner	Payables for charitable purpose	(500,000)	(100,000)
		Payment for charitable purpose	100,000	-
		Receipt of advances amount for charitable purpose	-	92,449
Vincom Retail JSC	Affiliate	Deposit for Investment Co-operation Contract	(978,315)	(1,818,166)
		Receivables from general contractor services and consulting construction services	994,523	2,930,333
VinAcademy Education and Training LLC ("VinAcademy LLC")	Affiliate	Deposit for construction investment activities	2,790,000	-
		Receivables from sales of inventory property	760,000	-
		Receipt of sales of inventory property	(684,000)	-
Vinsmart Research and Manufacture JSC ("Vinsmart JSC")	Affiliate	Lending	2,255,000	-
Southern Star JSC	Affiliate (until 20 March 2019)	Repayment of borrowings	-	510,000

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Terms and conditions of transactions with related parties during the years are as follows:

During the year ended 31 December 2019, the Company and its subsidiaries provided unsecured loans to related parties at interest rates at 9% per annum (2018: 8% per annum), and received unsecured loans from related parties at interest rates from 8% per annum to 9% per annum (2018: 8% per annum to 9% per annum).

The Company and its subsidiaries have sold/purchased goods and rendering/purchased services to/from related parties based on negotiated market prices and contract terms.

The Company and its subsidiaries have entered into Business and Investment Co-operation Contracts with Vingroup JSC, parent company, and Central Park LLC, an affiliate, for the purpose of developing real estate projects. Accordingly, the Company and its subsidiaries will receive a portion of profit from these contracts.

Payables and receivables (except for some lending, borrowings and deposits for share transfer) as at 31 December 2019 are unsecured, free of interest and will be settled in cash. During the year ended 31 December 2019, the Company and its subsidiaries have not made provision for doubtful debts relating to amounts due from related parties (31 December 2018: nil). This assessment is undertaken each financial year through the examination of the financial position of the related parties and the market in which the related parties operate.

Amounts due from and due to related parties:

	<i>Currency: VND million</i>	
	2019	2018
<i>Amounts due from related parties</i>		
Short-term loans, advances to and receivables from related parties	13,573,471	7,837,424
Long-term deposits to and receivables from related parties	16,302,031	621,114
<i>Amounts due to related parties</i>		
Short-term borrowings, deposits from and payables to related parties	1,552,069	3,184,885
Long-term deferred revenue and payables to related parties	966,469	7,029,618

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Details of amounts due from and due to related parties as at 31 December 2019 and 31 December 2018 are as below:

			Currency: VND million	
Related parties	Relationship	Transactions	Ending balance	Beginning balance
Short-term loans, advances to and receivables from related parties				
Financial assets:				
Vingroup JSC	Parent company	Deposits for project development (*)	741,000	4,167,499
		Receivables from general contractor services and consulting construction services	153,576	111,946
		Other receivables	300,209	9,956
Vinschool LLC	Affiliate	Receivables from revenue sharing from education activity and related service	12,597	9,362
		Receivable from construction contract	682,777	840,042
Vinmec JSC	Affiliate	Receivable from construction contract	718,836	579,076
		Other receivables	7,552	2,644
VinAcademy LLC	Affiliate	Deposit for construction investment purpose	2,790,000	-
		Receivables from sale of inventory properties	76,000	-
		Other receivables	1,212	-
		Receivables from payment on behalf	41,781	-
Central Park LLC	Affiliate	Lending	655,000	-
		Other receivables	18,714	250
Vinpearl JSC	Affiliate	Receivables from general contractor services	76,999	-
		Other receivables	40,560	-
Kind Heart Foundation	Under common owner	Receivables from general contractor services	33,902	-
Vincom Retail JSC	Affiliate	Receivables from general contractor services and consulting construction services	1,719,525	1,674,323
		Receivables from leasing activities	364,181	-
		Other receivables	11,993	9,257
Vincommerce JSC	Affiliate (until 30 December 2019)	Receivables from general contractor services and consulting construction services	-	113,424
		Receivables from leasing	-	6,127
Others		Other receivables	58,539	255,867
			8,504,953	7,779,773
		Less allowance for credit losses	(64,426)	(64,455)
		Subtotal	8,440,527	7,715,318

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Details of amounts due from and due to related parties as at 31 December 2019 and 31 December 2018 are as below: (continued)

			Currency: VND million	
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term loans, advances to and receivables from related parties (continued)				
Non-financial assets:				
Vingroup JSC	Parent company	Deposits for share transfer agreement (*)	5,048,142	31,500
Sai Dong JSC	Affiliate	Deposit for shares transfer agreement	70,258	70,258
VinID JSC	Affiliate	Other advance to suppliers	6,804	-
Vincommerce JSC	Affiliate	Advance to supplier	-	18,199
Others	Affiliate	Advance to supplier	7,740	2,149
		Subtotal	5,132,944	122,106
			13,573,471	7,837,424

(*) In which, deposits of VND3,063 billion to Vingroup JSC for acquiring additional shares of its subsidiaries were secured by entire shares and related rights, benefit of Vingroup JSC in these companies.

			<i>Ending balance</i>	<i>Beginning balance</i>
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>		
Long-term deposits to and receivables from related parties				
Financial assets:				
Vinpearl JSC	Affiliate	Lending	3,875,005	-
Vinsmart JSC	Affiliate	Lending	2,206,499	-
Vinfast Producing and Trading LLC	Affiliate	Lending	1,615,812	-
Vincom Retail JSC	Affiliate	Receivables from leasing	127,886	120,577
Vinsmart JSC	Affiliate	Interest receivables	18,221	-
Vinpearl JSC	Affiliate	Interest receivables	13,529	-
Others	Affiliate	Receivables from finance lease	5,934	-
			7,862,886	120,577
		Less allowance for credit losses	-	(10,881)
		Subtotal	7,862,886	109,696
Non-financial assets:				
Vingroup JSC	Affiliate	Deposit for share transfer and investment purpose	8,439,145	511,418
		Subtotal	8,439,145	511,418
			16,302,031	621,114

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Details of amounts due from and due to related parties as at 31 December 2019 and 31 December 2018 are as below: (continued)

			Currency: VND million	
Related parties	Relationship	Transactions	Ending balance	Beginning balance
Short-term borrowings, deposits from and payables to related parties				
Financial liabilities:				
Vingroup JSC	Parent company	Management service payables	487,662	34,734
		Other trade payables	28,381	217,493
		Borrowings	-	54,606
		Interest payables	-	186,517
Kind Heart Fund	Under common owner	Payables for charitable purpose	500,000	100,000
Central Park LLC	Affiliate	Dividend Payable	154,000	-
		Interest payables	-	116,758
		Borrowings	-	520,000
Vincom Retail JSC	Affiliate	Deposit interest payables	10,298	-
VinTech JSC	Affiliate	Sponsor fee payables	8,878	-
Grand Prix LLC	Affiliate	Borrowings	-	808,000
		Interest payables	-	24,633
Vincommerce JSC	Affiliate	Payables for purchased goods	-	5,552
Others		Other payables	122,889	120,940
Subtotal			1,312,108	2,189,233
Non-financial liabilities:				
Vincom Retail JSC	Affiliate	Deposit for Business Co-operation Contract	191,994	163,000
		Payables for goods purchased	13,242	-
Vinschool LLC	Affiliate	Advances for construction activities	34,725	-
Vinpearl JSC	Affiliate	Deposit for Business Co-operation Contract	-	634,962
Vincommerce JSC	Affiliate	Advance for construction	-	93,109
Vincom Retail JSC	Affiliate	Advance for construction	-	48,921
Kind Heart Fund	Under common owner	Advance for construction	-	14,392
Vingroup JSC	Parent company	Advance for construction	-	41,268
Subtotal			239,961	995,652
			1,552,069	3,184,885

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Details of amounts due from and due to related parties as at 31 December 2019 and 31 December 2018 are as below: (continued)

			Currency: VND million	
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Ending balance</i>	<i>Beginning balance</i>
Long-term deferred revenue and payables to related parties				
Financial liabilities:				
Xavinco JSC	Affiliate	Borrowings	347,938	626,851
		Interest payable	151,473	106,198
Xalivico LLC	Affiliate	Borrowings	399,717	241,909
		Interest payable	67,341	34,728
Vinfast LLC	Affiliate	Borrowings	-	3,160,327
		Interest payable	-	169,571
Vinpearl JSC	Affiliate	Borrowings	-	1,712,203
		Interest payable	-	103,154
Central Park LLC	Affiliate	Borrowings	-	611,676
		Interest payable	-	4,495
Cam Ranh LLC	Affiliate	Interest payable	-	698
		Subtotal	966,469	6,771,809
Non-financial liabilities:				
Vincom Retail JSC	Affiliate	Deferred revenue	-	257,809
		Subtotal	-	257,809
			966,469	7,029,618

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related parties as at 31 December 2019 and 31 December 2018 were as follows: (continued)

Details of short-term lending as at 31 December 2019:

<i>Related parties</i>	<i>Relationship</i>	<i>Amount VND million</i>	<i>Interest rate % per annum</i>	<i>Maturity date</i>	<i>Collateral</i>
Central Park LLC	Affiliate	655,000	9%	December 2020	(i)
		<u>655,000</u>			

(i) This lending is secured by shares of an affiliate held by this borrower.

Details of long-term lending as at 31 December 2019:

<i>Related parties</i>	<i>Relationship</i>	<i>Amount VND million</i>	<i>Interest rate % per annum</i>	<i>Maturity date</i>	<i>Collateral</i>
Vinpearl JSC	Affiliate	3,875,005	9%	February 2021	(i)
Vinsmart JSC	Affiliate	2,206,499	9%	February 2021	(ii)
Vinfast Producing and Trading LLC	Affiliate	1,615,812	9%	February 2021	(iii)
		<u>7,862,900</u>			

(i) The lending is secured by shares of a listed company within the Group held by this borrower and shares of this borrower held by shareholders.

(ii) The lending is secured by entire buildings and structures, machinery and equipment of this borrower.

(iii) The lending is secured by capital contribution of Vingroup JSC in this borrower.

The balance of lending to related parties as at 31 December 2018 is nil.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Details of long-term borrowings as at 31 December 2019:

<i>Related parties</i>	<i>Relationship</i>	<i>Amount VND million</i>	<i>Interest rate % per annum</i>	<i>Maturity date</i>	<i>Collateral</i>
Xavinco JSC	Affiliate	347,938	9%	July 2021	(i)
Xalivico LLC	Affiliate	399,717	9%	July 2021	(i)
		<u>747,655</u>			

(i) These loans are secured by shares of the Company in a subsidiary.

Details of short-term borrowings as at 31 December 2018:

<i>Related parties</i>	<i>Relationship</i>	<i>Amount VND million</i>	<i>Interest rate % per annum</i>	<i>Maturity date</i>	<i>Collateral</i>
Grand Prix LLC	Affiliate	808,000	9%	September 2019	None
Central Park LLC	Affiliate	520,000	9%	From January 2019 to September 2019	(ii)
Vingroup JSC	Parent company	54,606	9%	December 2019	(ii)
		<u>1,382,606</u>			

Details of long-term borrowings as at 31 December 2018:

<i>Related parties</i>	<i>Relationship</i>	<i>Amount VND million</i>	<i>Interest rate % per annum</i>	<i>Maturity date</i>	<i>Collateral</i>
Vinfast LLC	Affiliate	3,160,327	9%	February 2020	(ii)
Vinpearl JSC	Affiliate	1,712,203	9%	February 2020	(ii)
Xavinco JSC	Affiliate	626,851	9%	February 2020	(ii)
Central Park LLC	Affiliate	611,676	9%	From January 2020 to February 2020	(ii)
Xalivico LLC	Affiliate	241,909	9%	February 2020	(ii)
		<u>6,352,966</u>			

(ii) These loans are secured by listed and non-listed shares of some companies within the Group.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

34. TRANSACTIONS WITH RELATED PARTIES (continued)

Other related party transactions

Remuneration to members of management and Board of Directors:

	2019 VND million	2018 VND million
Salaries and bonus	62,792	23,797
TOTAL	62,792	23,797

35. CAPITALISED BORROWING COSTS

During the year 2019, the Company and its subsidiaries capitalised borrowing costs amounting to VND700.7 billion (2018: to VND460 billion). These borrowing costs are mainly related to specific borrowings taken to finance the construction of Vinhomes Central Park, Vinhomes Ocean Park, Vinhomes Smart City and Vinhomes Metropolis Projects. The capitalised borrowing costs are determined by applying a capitalisation rate from 8.12% per annum to 10.4% per annum (2018: from 7.00% per annum to 10.03% per annum).

36. EVENTS AFTER THE REPORTING PERIOD

Except for the events after the consolidated financial statement date as presented in other notes of the consolidated financial statements, the Company and its subsidiaries also have the following events after the consolidated balance sheet date:

On 10 March 2020, the Company and its subsidiaries completed the acquisition of 7,000,000 shares, equivalent to 100% equity interest in a company from Vingroup JSC, a counterparty and an affiliate for a total consideration of VND70 billion. Accordingly, this company became a subsidiary of the Company and its subsidiaries. On 16 March 2020, the Company and its subsidiaries completed the additional capital contribution to this subsidiary amounting to VND5,930 billion. Other information about this transaction is not available as initial accounting for this transaction is incomplete at the time the consolidated financial statements are authorised for issue.

In February 2020, the Prime Minister of the Socialist Republic of Vietnam officially announced an epidemic of acute respiratory infections caused by Coronavirus Pandemic ("Covid-19 Pandemic"). The Company and its subsidiaries have proposed several general solutions to cut costs and reorganise business operations during the Covid-19 Pandemic.

On 4 April 2020, the Company and its subsidiaries completed the establishment of a subsidiary from a demerger transaction. After completion of the demerger, the equity interest of the Company and its subsidiaries in the demerged entity did not change. On 13 May 2020, the new company is announced to be in the process of completing dissolution procedures.

In May 2020, the Company and its subsidiaries acquired 99% equity interest in a real estate company from counterparties for a total consideration of VND4,554 billion. Accordingly, this company became a subsidiary of the Company and its subsidiaries. Other information about this transaction is not available as initial accounting for this transaction is incomplete at the time the consolidated financial statements are authorised for issuance.

Vinhomes Joint Stock Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

36. EVENTS AFTER THE REPORTING PERIOD (continued)

On 15 May 2020, the Company completed the establishment of a subsidiary with capital contribution of VND1,032 billion, equivalent to 98.06% equity interest in this subsidiary.

In May and June 2020, Green City JSC, a subsidiary of the Company issued secured bonds at par value of VND2,000 billion with terms ranging from 24 to 36 months, which bear interests at rate of 9.5% per annum from the issuance date to 31 December 2020, and at the rate of 2.3% per annum plus 12-month interest paid-in-arrear VND saving rate for individuals for the following periods.

On 30 May 2020, the Company issued secured bonds at par value of VND2,997 billion with terms ranging from 18 to 36 months, which bear interests at rate from 9% to 10% for the first year, and at the rate of 3.25% per annum plus 12-month interest paid-in-arrear VND saving rate for the following periods.

There is no other matter or circumstance that has arisen since the consolidated balance sheet date that requires adjustment or disclosure in the consolidated financial statements of the Company and its subsidiaries.

