



FORTRESS
TOOLS





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ANNUAL REPORT 2017

OVERVIEW ABOUT FORTRESS



Vietnamese Name:	Công ty Cổ phần Công nghiệp Ngũ kim Fortress Việt Nam
English Name:	Vietnam Fortress Tools JSC
Head office:	Lot B8 + B9 + B10, Phuc Khanh Industrial Park, Phu Khanh Ward, Thai Binh City, Thai Binh Province
Tel:	02273 618 991
Fax:	02273 618 995
Website:	http://fortresstools.com.vn
Email:	contact@fortresstools.com.vn
Business Registration Certificate:	No. 1000383611 issued by the Department of Planning and Investment of Thai Binh Province for the first time on 14/7/2010, 12th change on 28/12/2017
Charter Capital:	268,078,350,000 VND
Main Business Activities:	Production of garden hand tools and metal wares; Production of furniture; Production of sports equipment;
Business Location:	The company's headquarters and 2 factories are located in Thai Binh Province, and 1 representative office is based in Hanoi. Products are mainly exported to Europe, America, Japan ... (over 90% of sales).

MISSION STATEMENT

Vietnam Fortress Tools JSC is a leading customer-oriented manufacturer of garden tools and consumer products based in Northern Vietnam. We provide great value for our customers by delivering a range of innovative and quality products at competitive costs.

CORE VALUES

Frugality: Keep costs low to pass savings to customers.

Quality: Be reliable and deliver products at high standards.

Growth: Set ambitious goals and expand product range to better serve customers.

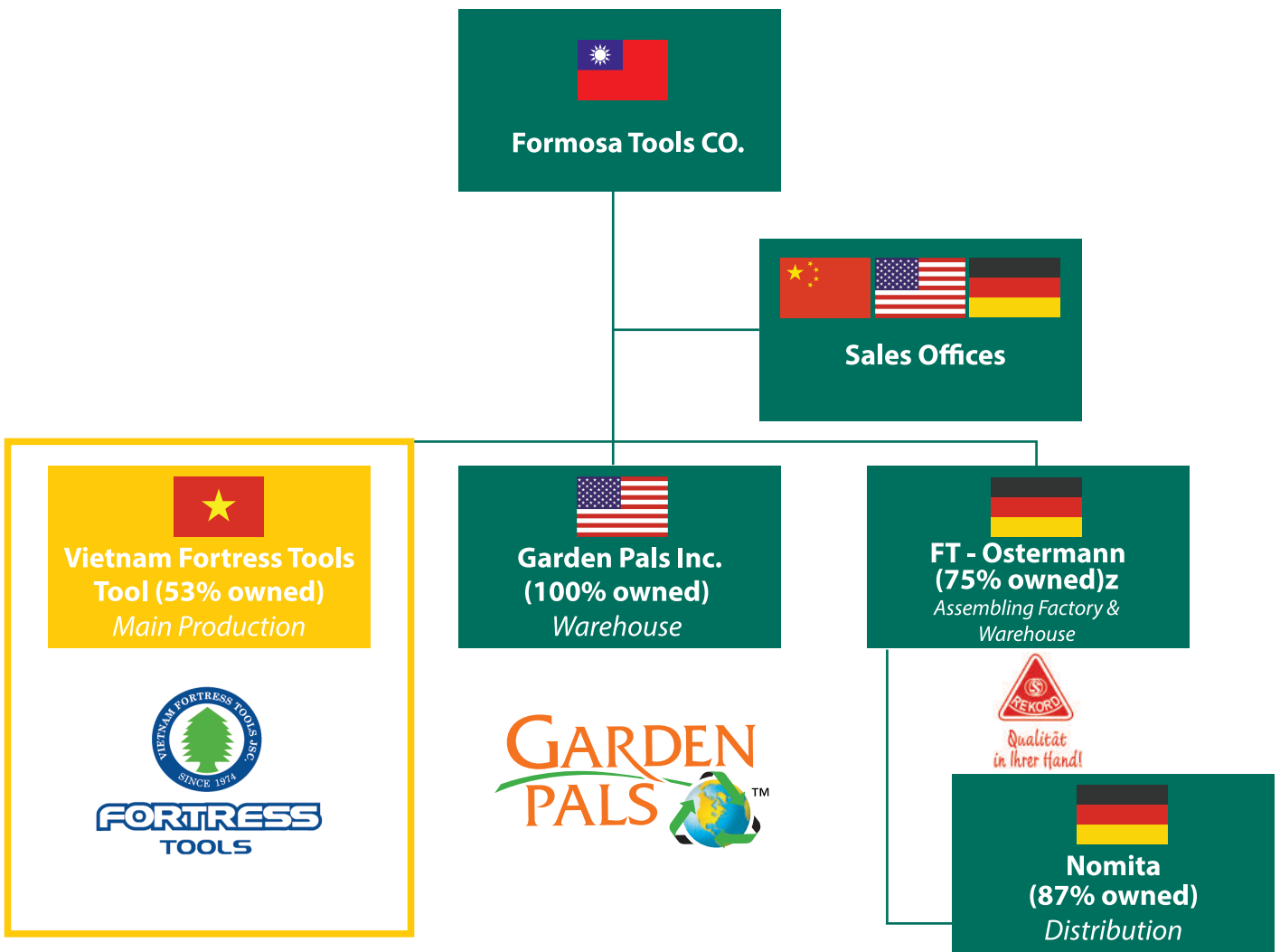
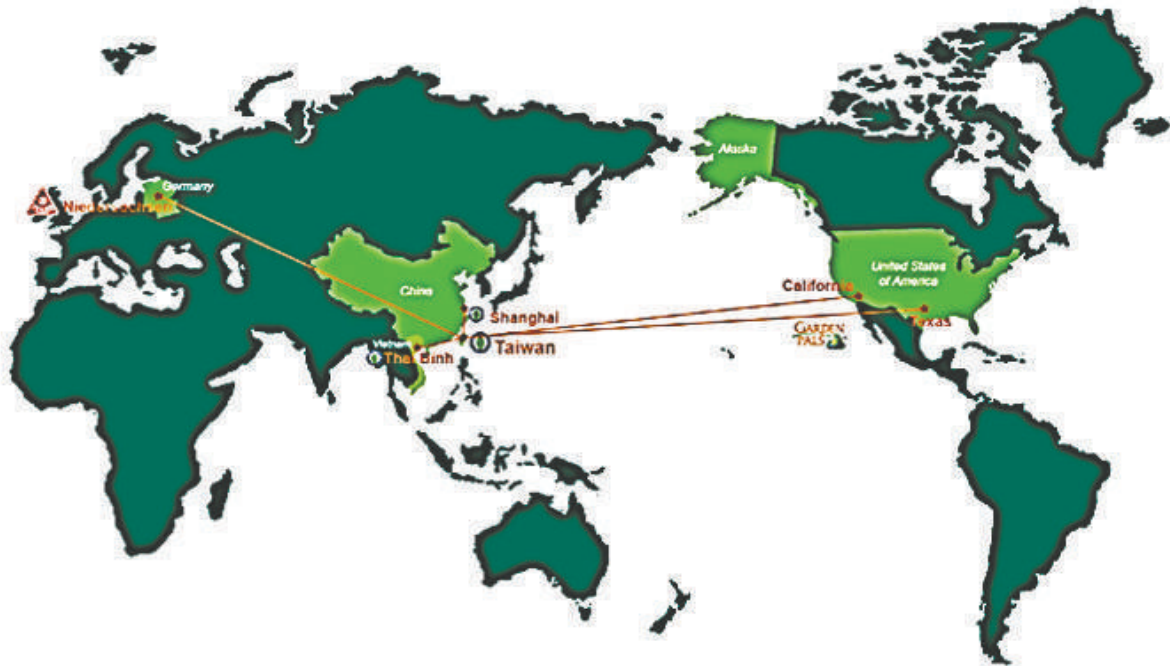
Speed: Having lean management leads to fast, impactful decisions.

Aspiration: Accept personal responsibility to meet growing needs of the business and customers and be accountable for our conduct. Do not be complacent, challenge the status quo, and find ways to improve.

FORTRESS'S PRODUCTS



FORMOSA TOOLS GROUP



HISTORY OF FORTRESS



2007: The Company increased its charter capital to USD 1.8 million and also increased investment in the first factory to USD 6 million. The first factory was completed with a total area of 5.2ha and a maximum capacity of 2000 tonnes per year. Products are exported to Formosa Tools' customers around the world.

2006: Vietnam Formosa Tools was established in Vietnam as a 100% FDI Company with an original charter capital of USD 0.9 million. It is headquartered at Lot B8+B9+B10, Phuc Khanh Industrial Park, Thai Binh City, Thai Binh Province, Vietnam. The company began construction of a factory to manufacture hand tools and outdoor furniture for a total investment of USD 3 million.

2008: The Thai Binh factory became Formosa Tools' main production hub when production at its Fuzhou factory stopped.

2009-2015: The Company continuously expanded in terms of capital and production capacity with total investment for the factory increasing to USD 10 million.

2017: The Company continuously expanded in terms of capital and production capacity, and invested in the 2nd factory with total investment of USD 6.5 million. The company also set up plans to build the 3rd factory in 2018.

2016: The Company converted from a limited liability company to a joint stock company. It then changed to the current name – Vietnam Fortress Tools JSC in order to distinguish itself from the Formosa Steel Ha Tinh Corporation which belongs to the Formosa Plastic Group in Taiwan.

PRODUCTION ACTIVITIES





To: Our shareholders and partners

In 2017 Vietnam Fortress Tools witnessed an impressive growth with net profit of VND 62,906,127,559 - an increase of 169% compared to 2016 while sales increased 18%. During the year, we have made some important changes such as enhancement of our facilities, completion of a new factory, increase of capital through private placement, restructuring our organization to become more effective, and investing in human resources. All have contributed to the success of the company in 2017.

When we first started in Thai Binh more than a decade ago, it was very difficult to convince customers like Walmart or Home Depot to place orders directly to Vietnam. But during the last few years, Vietnam has become one of the star performers in terms of economic growth, boosted by strong growth in exports especially in the manufacturing sector. Companies like Fortress now have significant advantages compared to competitors in China, who are suffering from rising labor costs, high tax and government's withdrawal of subsidies to exporters. I strongly believe that we will continue our dynamic growth in Vietnam in the next decade due to the strong support from our long term customers like LIDL, as well as the local Thai Binh and Vietnamese government.

I am delighted to inform you that in 2018, the discount supermarket LIDL - one of our biggest customers with over EUR 60 billion in sales a year (part of Schwarz Group, the fourth largest retail chain in the world) - chose Fortress as a strategic partner in Vietnam. In addition to placing more orders with us, LIDL will also assist in other areas such as financial arrangements, referrals to possible partners, and marketing so that we can develop our production capacity and become their biggest Vietnamese supplier, not only for garden tools but also other items such as wooden toys and housewares. Presently, Fortress has partnered with Wonderworld Products from Thailand. They act as our design and production consultants to manufacture toys for LIDL, which will satisfy their sourcing demand worth hundreds of millions of dollars each year. Besides introducing Wonderworld Products, LIDL has also helped us set up a L/C limit in Vietnam through Standard Chartered Bank, which ensures necessary funding for our production. Leaders of LIDL Hong Kong will also join us as guests of honor during our important events in 2018, such as the annual shareholders' meeting, the listing ceremony at HNX, the groundbreaking of our third factory, etc.

From decades of experience working with the biggest names in the retail sector such as Walmart, Aldi, LIDL, Home Depot, etc., we hope to cultivate our relationships with all customers the same way as our strategic partnership with LIDL. I am confident that the company will grow tremendously in the years to come, developing from the world's second largest producer of gardening tools to becoming a large-scale consumer goods manufacturer in Vietnam. Fortress is aiming for an annual revenue of over USD 100 million from 2020, when we will have established 3 factories in Thai Binh with total capacity of USD 176 million a year.

On behalf of the Board of Directors, the Board of Supervisors, the Board of Management, and all of Fortress's employees, I would like to express my deepest gratitude and warmest thanks to you for your trust, support, and cooperation over the past years. Fortress always wishes to be a long-term reliable partner and to walk with you on the road to success.

Best Regards,
Chairman cum CEO



Hsu, Ting Hsin
Chief Executive Officer

FORTRESS'S GROWTH STRATEGY



Strengths	Weaknesses	Opportunities	Threats
<p>Good and stable customer base of both large retailers (private labels) and brand names in EU & US.</p> <p>Compliance with BSCI and Europe's strict quality standards.</p> <p>ODM with no exclusivity, Fortress owns its own designs and we can sell to competing buyers.</p> <p>Low cost manufacturer with over 40 years of experience.</p>	<p>Production capacity must be improved to meet demand.</p>	<p>Garden tools: Very concentrated market with one big manufacturer in China and many smaller suppliers in China and Taiwan who are suffering from rising costs.</p> <p>Other products: Bigger markets but highly competitive. Retailers are using private brands to gain market shares from other distribution channels. They need trustworthy, low cost suppliers to replace China manufacturers whose prices are rising.</p>	<p>Manufacturers in other low - cost sourcing countries.</p>

COST LEADERSHIP

$$\frac{\text{benefits} - \text{costs}}{\text{net value}}$$
 ← FOCUS

Competitive pricing, satisfying products to meet rising demands for "Made in VN" products from buyers

Sporting goods



Patio furniture



BUSINESS GROWTH

Expand product lines through organic and inorganic expansion



Wooden toys



Acquire market shares in EU/US garden tools market from other competitors



New factories to enhance production capacity

Macroeconomic risks:

We estimate that Vietnam's economy will continue to grow at a high rate of over 6% per year and inflation will be controlled at less than 5% in coming years. Exchange rates, interest rates will not fluctuate significantly, creating favorable conditions for production and business development in the country. Stable economic development allows Fortress to invest more in capacity to meet increasing demands from our customers.

Legal risk:

The policies and legal system are improving, creating a favorable environment for enterprises who wish to increase their production capacity and business activities. These changes facilitate the long-term development of the Company, but also require more effort to ensure compliance with existing legislation while actively expand business activities. The Company uses foreign and local legal firms to support Fortress. The Company also receives regular support from the local authorities.

Liquidity risk:

The Company is investing in several projects to enhance its production capacity, resulting in significant cash outflows. To manage liquidity risk, the Company imposes strict cash flow management policies, developed a reasonable capital structure between short-term and long-term capital, hedges the risk of raw materials price fluctuation through future contracts, and applies effective policies for account receivables and payables which help us maintain good relationships with customers while keeping credibility with suppliers. To shorten receivables days, the Company is in the process of negotiating with customers and credit institutions to establish L/C facilities that will allow Fortress to receive money directly in Vietnam.

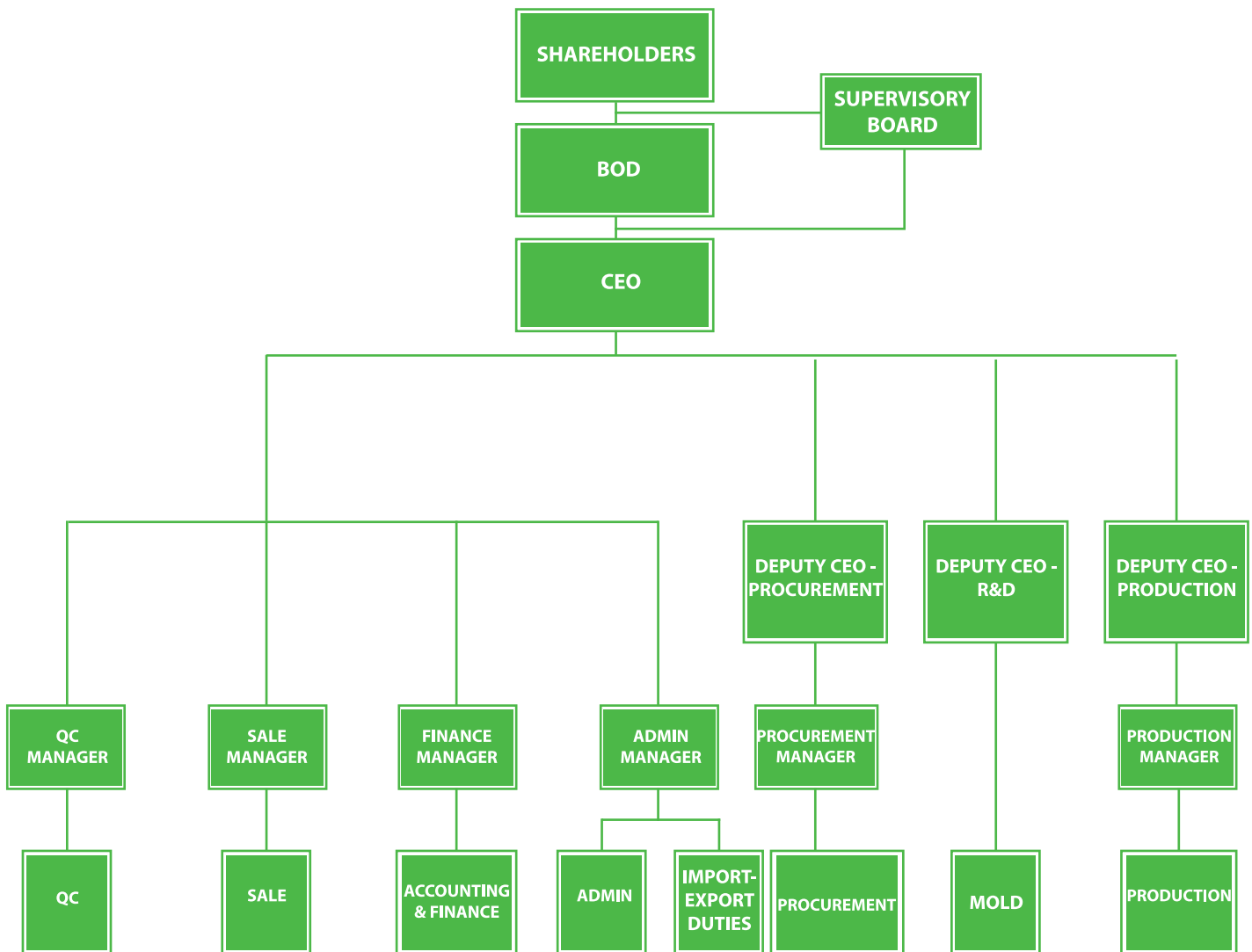
Market risk:

Among the top retail industry trends is the collaboration between the world's largest retail chains and quality manufacturers to deliver private brands products at competitive prices to compete with national brands. The Company has delivered products to both well-known national brands (e.g. Stanley Black & Decker) and private brands for the world's largest retailers like Wal-Mart, Aldi, LIDL. Recognizing a huge demand for "Made in Vietnam" products, the Company will diversify its portfolio to other consumer goods that have similar production processes as garden tools, with initial new products being patio furniture, wooden toys, and sporting goods. From 2018, the Company will partner with LIDL, which belongs to the world's 4th largest retail chain, to become their biggest supplier in Vietnam for garden tools and wooden toys. After the successful strategic partnership with LIDL, the Company expects to receive larger orders from other customers such as Walmart and Aldi. This is a great opportunity for the Company to expand its product portfolio, acquire market share in the traditional garden tools market, as well as penetrate new markets worth of billions of dollars in toys, sports equipment, and patio furniture.

Production risk:

Product quality is determined by two important factors: the quality of production and the stability of the inputs. The Company only sources raw materials from reliable, reputable suppliers to reduce the risk of instable inputs. In order to minimize risks which can affect the quality of production, the Company implements several methods such as: standardize and impose strict policies on inspection and quality control system; require close coordination between departments directly involved in production process (QC, tooling, production); develop highly skilled workers who stay with the company for the long term.

ORGANIZATIONAL STRUCTURE DIAGRAM



BOARD OF DIRECTORS



**Mr.
Hsu Ting Hsin**



**Mr.
Liang Tung Hsing**



**Mr.
Tsai Chui Tien**



**Mr.
Tsai Jer Shyong**



**Mr.
Carl Ronald Gordon**

Mr. Hsu Ting Hsin

Mr Hsu Ting Hsin (Tony Hsu), Taiwanese national, is the CEO and Chairman of the Board of Vietnam Fortress Tools JSC as well as Chairman of the Board of Directors and General Manager of Formosa Tools (Taiwan); President of Emblem Holdings Group Corp., the two largest shareholders of Vietnam Fortress Tools that are related to Formosa Tools (Taiwan).

He is experienced in garden tools manufacturing and is the third generation of the Hsu family who founded Formosa Tools (Taiwan).

He graduated from the National University of Business majoring in Tax and Law, and also from DeVry – California College in Marketing.

Mr. Liang Tung Hsing

Mr Liang Tung Hsin (Raymond Liang), Taiwanese national, is a member of the Board of Directors of Vietnam Fortress Tools.

He has nearly 30 years of experience in accounting and finance. He is also the Deputy General Director of Formosa Tools (Taiwan).

Mr. Tsai Chui Tien

Mr Tsai Chui Tien, Taiwanese national, is a member of the Board of Directors at Vietnam Fortress Tools.

He is also the Chairman of the Board of Directors and CEO of Khai Phat Dai Tin Co., Ltd. (former name: Dai Tin Industrial Zone Development Company) which developed the Phuc Khanh Industrial Zone in Thai Binh City.

Mr. Tsai Jer Shyong

Mr Tsai Jer Shyong, Taiwanese national, is an independent member of the Board of Directors of Vietnam Fortress Tools.

He is an experienced finance and banking expert and has held important positions at many Taiwanese banks such as: CEO of First Bank, CEO of First Holding, Chairman of the Board of Directors of Land Bank of Taiwan, Chairman of the Board of Directors of Bank of Taiwan.

Mr. Carl Ronald Gordon

Mr Carl Ronald Gordon, British national, joined as an independent member of the Board of Directors of Vietnam Fortress Tools in December 2017. He is also the Country Head and Director of Khronos Advisory Limited in Ho Chi Minh City, Vietnam.

He is an expert in accounting, auditing, and corporate finance with more than 20 years of M&A experience in South East Asia and other emerging markets. He has worked for several firms such as EY, PwC, KPMG and BDO.

He graduated from the University of Manchester, UK and is a member of the Institute of Chartered Accountants UK and Wales (ICAEW).

BOARD OF MANAGEMENT



Mr.
Hsu Ting Hsin



Mr.
Chang Neng Ching



Mr.
Kuo Hsien Cheng



Mr.
Hsu Wei Chun



Ms.
Nguyen Thi Cam Van

Mr. Hsu Ting Hsin

Mr. Hsu Ting Hsin (Tony Hsu), Taiwanese national, is the CEO and Chairman of the Board of Vietnam Fortress Tools JSC as well as Chairman of the Board of Directors and General Manager of Formosa Tools (Taiwan); President of Emblem Holdings Group Corp., the two largest shareholders of Vietnam Fortress Tools that are related to Formosa Tools (Taiwan).

He is experienced in garden tools manufacturing and is the third generation of the Hsu family who founded Formosa Tools (Taiwan).

He graduated from the National University of Business majoring in Tax and Law, and also from DeVry – California College in Marketing.

Mr. Chang Neng Ching

Mr. Chang Neng Ching (Nelson Chang), Taiwanese national, is Deputy CEO and in charge of R&D. He has been with Formosa Tools Taiwan since 1992, and Fortress Tools since the company began its production in Vietnam.

Mr. Kuo Hsien Cheng

Mr. Kuo Hsien Cheng, Taiwanese national, is Deputy CEO and in charge of Production. Mr. Kuo has nearly 40 years of experience in Taiwanese and Vietnamese corporations, and has been with Vietnam Fortress Tools for nearly 10 years.

Mr. Hsu Wei Chun

Mr. Hsu Wei Chun (James Hsu), Taiwanese national, is Deputy CEO and in charge of Procurement. He has been with Vietnam Fortress Tools for a long time, and held CEO position from 2011-2013.

Mr. Hsu also holds positions in other Formosa Group companies such as the Vice General Manager of Formosa Tools Limited Company (Taiwan); General Manager of GARDEN PALS, INC. (USA); General Manager of Garden Pals Ltd.

Ms. Nguyen Thi Cam Van

Ms. Nguyen Thi Cam Van has held the position of chief accountant at Vietnam Fortress Tools since 2011. She previously held the position of Chief Accountant at International Ice Cream JSC, and General Accountant at Hong Ha Medical Equipment & Supplies Ltd. and Sakura Corp.

SUPERVISORY BOARD



**Ms.
Vi Nguyet Cam**



**Ms.
Nguyen Thi Linh**



**Ms.
Le Thi Thu Huong**

Ms. Vi Nguyet Cam

Ms. Vi Nguyet Cam has been with the company since 2017 as Investment Relations Manager and was elected Head of Supervisory Board since December 2017. Ms. Cam is an expert with many years of experience in financial services industry: Before Fortress Ms. Cam was with Ernst & Young (Assurance Team Leader) and Vietnam International Bank (Head of Planning & Budgeting). Ms. Cam is a member of the Association of Certified Public Accountants (ACCA), Vietnam Association of Certified Public Accountants (VACPA). Ms. Cam graduated with distinctions for her Bachelor's degree (Accounting, National Economics University) and Master's degree (Accounting, University of London International Program in association with University College London).

Ms. Nguyen Thi Linh

Ms. Nguyễn Thị Linh has been with the company since 2017 as Assistant Director and was elected to the Supervisory Board in December 2017. Ms. Linh holds a Bachelor's Degree in Accounting-Auditing and has 3 years working at DFK Vietnam prior to joining Fortress.

Ms. Le Thi Thu Huong

Ms. Le Thi Thu Huong has over 4 years working at Fortress and was elected to the Supervisory Board in December 2017.

SIGNIFICANT EVENTS IN 2017



Completion of Factory 2	<p>The second factory which specializes in cutting tools has been in operation since 2017, leading to an increase of Fortress's capacity to USD 76 million per year.</p>
Signed new contracts	<p>During the year Fortress received many orders from existing customers: sales revenue for Walmart increased 79%, LIDL increased 38%. Fortress also signed a new contract with Bond, the license holder of Stanley Black & Decker, one of the world's most recognizable brand in tools.</p>
Issued new shares	<p>To fund Factory 3's construction, Fortress has successfully issued shares valued at USD 10 million (including premiums) to existing and new shareholders based in Vietnam and from foreign countries, including two equity funds from Europe & Thailand.</p>
The Annual General Shareholders' Meeting approved the company's plan to become a public company and listed on Hanoi Stock Exchange (HNX)	<p>Fortress was approved to become a public company listed on the Hanoi Stock Exchange in the first half of 2018, before moving to the HOSE in 2019.</p>
M&As related to improvement of production capacity	<p>The Meeting of Shareholders in December 2017 has approved the expansion plans to improve production capacity of Fortress as follows:</p> <ul style="list-style-type: none">- Construction of a wooden toy factory in an area of 200,000 m2 in the economic zone of Thai Tho Commune, Thai Thuy District.-Acquire Garden Pals Co., Ltd. to expand production capacity.- Establish a joint venture with XHL (who are now using Fortress's workers and facilities to produce sports equipment).-Acquire Phuc Khanh JSC at USD 1.6 million which includes 17,000 square meters in commercial area, to build a central kitchen, dormitory, staff training center (to serve factory 3).

	Pruners	Wooden Toys, Sporting Goods, Patio Furniture
Location	Lot E3+E3, Phuc Khanh Industrial Park Thai Binh City, Thai Binh Province	Thai Tho town, Thai Thuy District, Thai Binh City, Thai Binh Province
Products	Pruners	Wooden toys, Sporting Goods, Patio Furniture
Total investment	USD 6.5 million	USD 28 million Q3.2018-Q3.2019
Project	<p>Near Factory 1 in Phuc Khanh Industrial Zone, Thai Binh City, convenient for moving facilities around (from Factory 1 to 2). Specializes in cutting tools (mainly pruners) - products with higher profit margin.</p> <p>Smaller factory (40% of Factory 1's area), but higher capacity (maximum revenue of USD 44 million compared with USD 32 million of Factory 1).</p>	<p>Large area (20ha), low cost since Fortress received approval from Thai Binh Province to build its own infrastructure (instead of leasing facilities from developers).</p> <p>Highest capacity among the 3 factories (estimated maximum revenue up to USD 100 million a year), can produce different types of products.</p> <p>Convenient transportation, as it is located near the highway and takes about 30 minutes to reach Hai Phong port.</p>
Construction time	1 year (2016-2017)	<p>Phase 1: Q3.2018-Q3.2019: Build facilities, purchase machines & equipment.</p> <p>Phase 2: From 2019: Purchase additional machines & equipment, enhance capacity.</p>
Progress	Completed	Groundbreaking in Q3 - 2018 and production starting Q3 - 2019

Products of Factory 2



Expected lines of products of Factory 3:

- + Patio furniture
- + Toys
- + Sporting goods



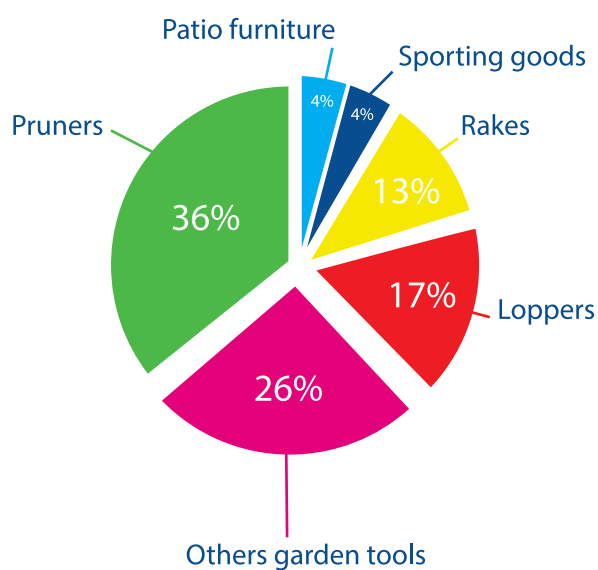
2017 PERFORMANCE



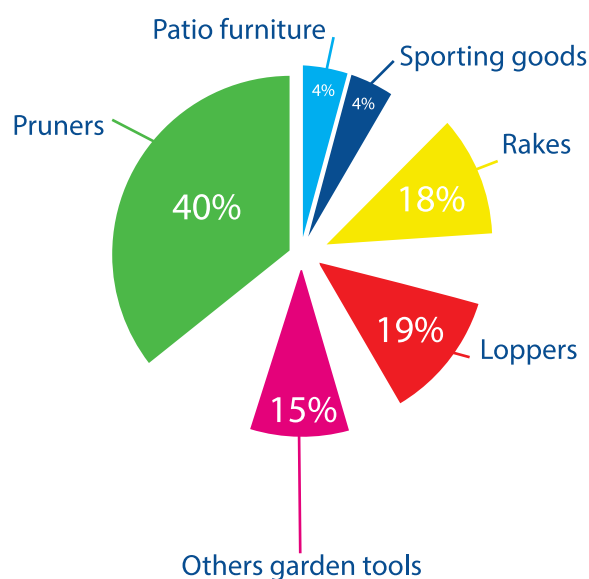
Unit: VND million

No.	Items	Actual 2017	Actual 2016	Increase/ decrease vs 2016
1	Total assets	1,193,069	750,916	59.9%
2	Charter capital	268,078	124,742	114.9%
3	Net revenue	545,284	458,788	18.8%
4	Profit before tax	67,773	24,323	178.6%
5	Profit after tax	62,906	23,401	168.8%
6	ROS	11.54%	5.10%	126.2%
7	ROA	6.47%	3.42%	89.2%
8	ROE	13.48%	16.85%	25.0%

2017 sales by categories



2017 gross profit by categories



Overview:

With a diversified portfolio of products, good designs and high quality production, the Company is able to meet customer's demands as well as satisfy strict requirements from developed countries in EU & US for imported goods. Fortress also has the advantage of working directly (no agent) with the largest retail chains in the world who have huge sourcing demands, thus saving on sales costs while getting good gross profit margin. Gross profit margin increased to 22% in 2017, compared to 15% in 2016.

The Company's revenue has grown to 545 billion in 2017 from VND 458 billion in 2016, due to the strong demand for gardening tools from customers in traditional markets in Europe and America. The Company's garden tools are now available in the stores of world's largest retail chains such as Walmart, Aldi, and LIDL under their private brands. The majority of sales comes from exported products (more than 90%).

Among the categories of garden tools, cutting tools, especially pruners, usually generate high sales with better profit margin, which led to Fortress's decision in constructing a second factory dedicated for these products. The factory has been operational since the end of 2017, which contributed significantly to the Company's revenue and profit growth.

In 2017, Fortress manufactured patio furniture and sporting goods to utilize capacity during the off season; therefore, the revenues from these products accounted for only a small proportion of total sales. However, significant growth is expected in 2018, when Fortress begins manufacturing for large orders received from our customers (based in North America).

Product profitability:

In 2017, cutting tools continued to be the Company's flagship products, with net sales of pruners jumping to 36% in 2017 compared to 24% in the year 2016. Pruners and loppers contributed to 40% and 19% of total gross profits respectively. Rakes, shovels and other garden tools accounted for about 10-17% of the total revenue for each type of product. Currently, patio furniture and sporting goods only account for 4-5% of the total revenue and 2% of gross profit for each category, but we evaluate that these products have great potential for growth, especially from the US market. Starting from 2018, Fortress will supply patio furniture with significant value for Brown Jordan, one of the biggest names in this market. Fortress also has very good opportunities to expand its product portfolio to new products such as wooden toys and housewares.

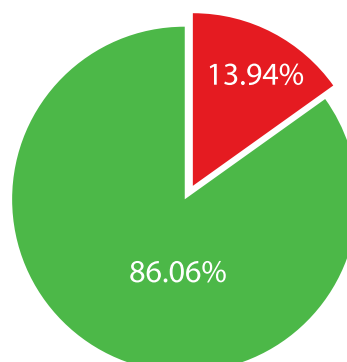
Shareholder structure as at 31/12/2017:

No.	Type of investors	Number of investors	Number of shares owned	Value of shares	% of ownership
I	Domestic	115	2,872,910	28,729,100,000	10.72%
1	Institutional	1	196,000	1,960,000,000	0.73%
2	Individual	114	2,676,910	26,769,100,000	9.99%
II	Foreign	41	23,934,925	239,349,250,000	89.28%
1	Institutional	6	19,736,435	197,364,350,000	73.62%
2	Individual	35	4,198,490	41,984,900,000	15.66%
	Total	156	28,807,835	268,078,350,000	100%

List of shareholders who hold more than 5% of charter capital:

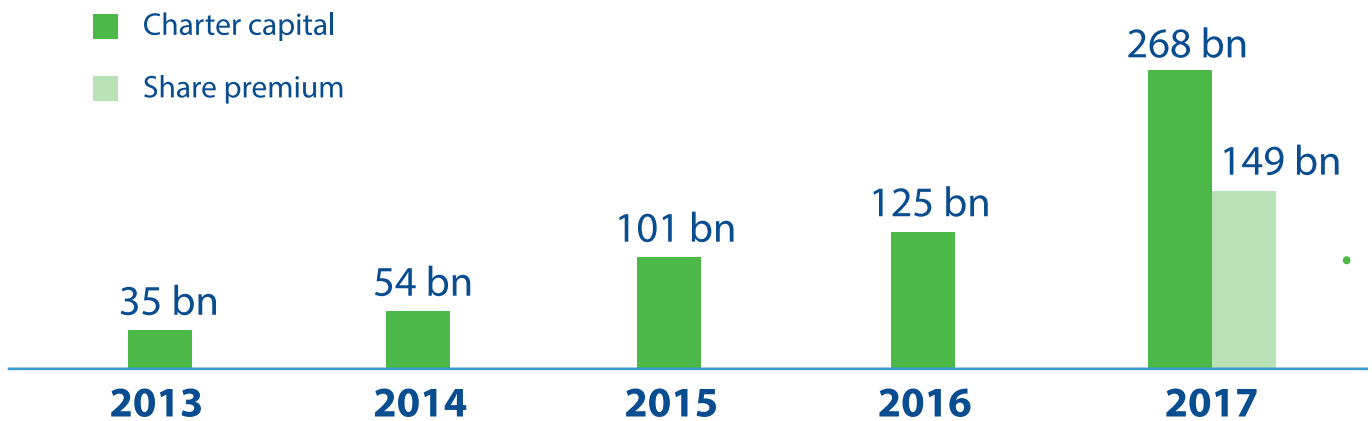
No.	Name of investors	Address	Number of shares owned	% of ownership
1	Formosa Tools Taiwan	No 22, Sec 2, Yen Hai Rd., Fu Hsing Hsiang, Chang Hua, Taiwan	8,190,981	30.55%
2	Emblem Holding Group Corp	Fl.2, Lotemau Center, Vaca Road, Apia, Samoa	5,916,900	22.07%
3	Tsai Chui Tien	No.20-5, Ln.1230, Sec.4, Taiwan Blvd. Xitun Dist., Taichung City 407 Taiwan (R.O.C)	1,403,000	5.23%
4	Probus Opportunities	106, Route D'Arlon, L-8210 Mamer Grand Duchy of Luxembourg	2,500,000	9.33%
5	VN Alpha Limited	PO Box 309, Ugland House, Grand Cayman, KY-1-1104, Cayman Islands	1,977,000	7.37%
	Total		19,987,881	74.56%

Classification of shareholders to internal/external shareholders as at 31/12/2017



- Internal shareholders
- External shareholders

Fortress's Equity Incl. Charter Capital and Share premium



Fortress is evolving to meet expansion needs:

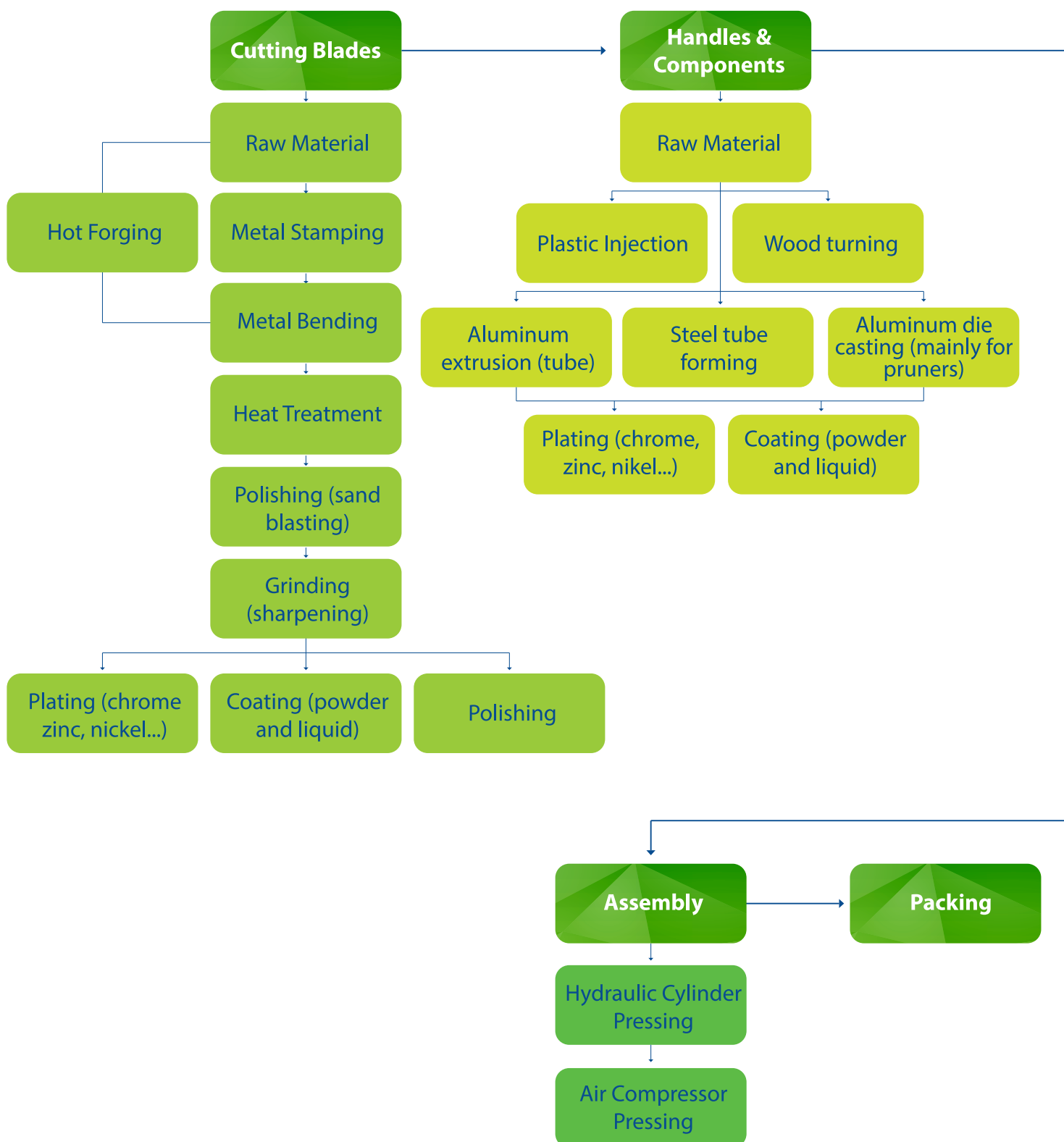
2016: Converted from a limited liabilities company to a joint stock company (September 2016). Increased charter capital to fund for expansion of factory 1 and construction of factory 2.

2017: Issued new shares to existing and new investors (including equity funds from Europe and Thailand) to fund for the construction of Factory 3.

2018: Become a public company and list our shares on HNX in Q2.2018 to increase liquidity and market capitalization.

2019: Moving from HNX to HOSE (after satisfying the time requirement of HOSE: 2 years after becoming a JSC). Consider the possibility of SPO: Second Public Offering on HOSE

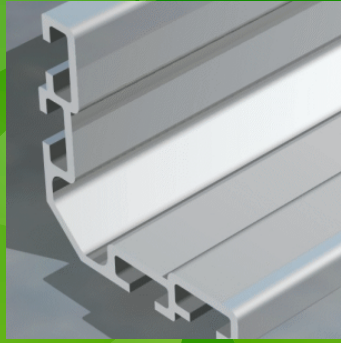
PRODUCTION PROCEDURE



MAIN MATERIALS



ROLL STEEL



ALUMINUM



PLASTIC



WOOD

Roll steel

75% Taiwan, 5% from China, the rest from Vietnam

Aluminum

Using 100% domestic raw materials in Vietnam

Plastic

100% import from Taiwan

Wood

Imported from Brazil, Chile, New Zealand

RAW MATERIALS CONSUMPTION

In 2017 Fortress used ~ 7,700 tons of raw materials, (mainly aluminum steel and plastics)

Copper.....	1,632 kg
Plastic.....	46,313 kg
Aluminum.....	159,251 kg
Coil steel.....	2,486,000 kg
Steel tube.....	274,875 kg
Steel plate.....	3,994,275 kg
Steel bar.....	69,801 kg
Steel wire.....	673,404 kg
Accessories.....	89,843,647 pieces
Carton.....	9,953,670 pieces

ENERGY & WATER CONSUMPTION

Fortress used the following sources of energy (Direct & Indirect)

- +Energy
- +Gas, oil (for canteen)

Total water used:

86,222 m³

% of reused water during the year:

3.3% (0.275%/month)

Total volume of reused water during the year:

2,880 m³ (240m³/month)

ENVIRONMENTAL REPORT



Risks of environmental damages	Solutions
<p>Pollution from material usage (Scrap metal, dust and metal debris)</p>	<p>The project uses modern, automatic machines to limit the amount of dust generated. The polishing process is cleaned by the automatic steel pellets cleaning spray system which can circulate and re-use the cleaning steel pellets. The steel pellets cleaning spray system is imported from abroad and is synchronous so they recover metallic particles. The rate of recovery for metal particles which are used for spraying reached 90%. Metallic particles which are not used for further spraying will be collected and recycled. Dust and rusted particles will be collected into the solid waste dump used for leveling the ground. This technology is implemented in a closed box which does not take up lots of space. For plastic injection, the factory uses automatic and closed process of plastic injection which does not generate dust. Plastic smell treatment is also processed synchronously in the plastic injection process.</p>
<p>Water pollution (Waste water)</p>	<p>Waste water is collected and reused so it does not pollute the factory's water source.</p>
<p>Air pollution (Toxic exhaust gas, paint vapor, solvent vapors other chemicals)</p>	<p>The plant uses dry electrostatic paint spraying technology which produces less environmental pollution. The amount of paint powder is recovered for reuse, the heat from the spraying process is absorbed by the suction system and cooling tube system. For this technology, the impact on the air environment due to solvent vapor, petrol vapor, vapor is not significant. Some products which require welding process, and the welding area has good ventilation system to reduce the impact of welding gas.</p>
<p>Sound pollution</p>	<p>The company has planted trees within the plant to minimize noise, and noise reduction methods such as ear muffs for workers working inside the factory, install sound proof walls, and conduct regular inspection of machinery to reduce noise (use lubricating oil if necessary, reinforced machinery stand with rubber anti-vibration cushions).</p>
<p>Thermal contamination during welding</p>	<p>The factory used automated production systems, which require less labor. Exothermic processes have cooling systems, and we use other methods to reduce heat such as having high ceilings, heat-resistant materials, installation of ventilation system which meets industrial hygiene requirements. The impact of thermal pollution in the production process is not significant. The office area is equipped with air conditioning. Planting trees also reduces the air temperature.</p>

Level of education of Fortress staff

No.	Level	No. of employees	Percentage
1	Bachelor and above	74	4
2	College	57	3
3	Vocational high school	28	2
4	Other level	11	1
5	Unskilled workers	1,509	90
	Total	1,679	100

Average income of staff

Item	2016	2017
Average no. of staff	1,481	1,461
Average monthly income (VND per staff)	4,272,195	6,534,607



Salary policy:

The Company develops salary policies that follow industry standards and ensures that all workers are entitled to full benefits in accordance with laws & regulations.

Bonus policy: In order to encourage and motivate staff, and increase their efficiency, the Company has periodic and one-off bonus schemes for individuals and teams, based on achievement of having high performance, new initiative to improve efficiency, R&D of new products, and cost savings. Additionally, the Company also has performance bonus, which depends on the results of production and business activities and salary budget of the Company in the year.

Insurance and welfare: The Company implements social & health insurance schemes for employees in accordance with the law and organizes annual health checks for all employees.

Training policy:

Every year, the Company organizes training programs to develop skills, support employees for job security and career development, such as: Training on the use of personal protective equipment, protection from chemical leakage, safety usage of toxic chemicals and flammable liquids, environmental protection, water and energy saving, garbage collection, occupational safety and health, and BSCI. The Company also trains employees on company policies and employees' benefits.

The training programs are aimed at increasing employees' knowledge, improving their skills, and helping them to gain better understandings of their rights and obligations.

REPORT OF THE BOARD OF MANAGEMENT



STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Vietnam Fortress Tools Joint Stock Company (“the Company”) presents this report together with the Company’s financial statements for the year ended 31 December 2017.

THE BOARDS OF DIRECTORS AND MANAGEMENT

The members of the Boards of Management and Directors of the Company who held office during the year and at the date of this report are as follows:

Board of Directors	Position	Appointed Date	Resigned Date
Mr Hsu Ting Hsin	Chairman	23/09/2016	-
Mr Carl Ronald Gordon	Independent member	25/12/2017	-
Mr Tsai Jer – Shyong	Independent member	8/9/2017	-
Mr Liang Tung Hsing	Member	8/9/2017	-
Mr Tsai Chui Tien	Member	8/9/2017	-
Mr Hsu Wei Chun	Member	23/9/2016	8/9/2017
Mr Tsai Hsieh Feng	Member	26/5/2017	8/9/2017
Mr Bach Huu Phuc	Independent member	8/9/2017	25/12/2017
Supervisory Board	Position	Appointed Date	Resigned Date
Ms Vi Nguyet Cam	Head of Supervisory Board	25/12/2017	-
Ms Nguyen Thi Linh	Member	25/12/2017	-
Ms Le Thi Thu Huong	Member	25/12/2017	-
Ms Vu Thi Xuan Truc	Chief	8/9/2017	25/12/2017
Ms Le Thi Thu Hang	Member	8/9/2017	25/12/2017
Ms Ngo Thi Thuy	Member	8/9/2017	25/12/2017
Board of Management	Position	Appointed Date	Resigned Date
Mr Hsu Ting Hsin	CEO (Chief Executive Officer)	23/9/2016	-
Mr Hsu Wei Chun	Deputy CEO	23/9/2016	-
Mr Chang Neng Ching	Deputy CEO	23/9/2016	-
Mr Kuo Hsien Cheng	Deputy CEO	23/9/2016	-

BOARD OF MANAGEMENT' STATEMENT OF RESPONSIBILITY



The Board of Management of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2017 and of its results and cash flows for the year then ended. In preparing these financial statements, the Board of Management is required to:

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

The Board of Management is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the accounting records and financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

In the Board of Management's opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

For and on behalf of the Board of Management,



Hsu, Ting Hsin
Chief Executive Officer

No. 054/VACO/BCKT.HP

INDEPENDENT AUDITORS' REPORT

**To: The Boards of Directors and Management
Vietnam Fortress Tools Joint Stock Company**

We have audited the accompanying financial statements of Vietnam Fortress Tools Joint Stock Company (the "Company"), prepared on 9 March 2018 as set out from page 4 to page 29, which comprise the balance sheet as at 31 December 2017, the statements of income and cash flows for the year then ended, and the notes to the financial statements (collectively referred to as the "financial statements").

Board of Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of, in all material respects, the financial position of Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



Luong Thi Thuy
Deputy Branch Director
Audit Practising Registration Certificate
No. 1148-2018-156-1

For and on behalf of
VACO AUDITING COMPANY LIMITED
HAI PHONG BRANCH
Hai Phong, 9 March 2018



Do Binh Duong
Auditor
Audit Practising Registration Certificate
No. 1953-2018-156 - 1

BALANCE SHEET

Assets	Codes	Notes	Closing balance	Opening balance
A - CURRENT ASSETS	100		898,727,171,832	610,296,952,221
I. Cash and cash equivalents	110	5	12,537,972,599	427,528,237
1. Cash	111		12,537,972,599	427,528,237
II. Short-term financial investments	120		10,000,000,000	4,000,000,000
1. Held-to-maturity investments	123	6	10,000,000,000	4,000,000,000
III. Short-term receivables	130		341,308,939,690	282,050,302,054
1. Short-term trade receivables	131	7	330,436,491,243	271,512,706,438
2. Short-term advances to suppliers	132		4,486,800,922	5,843,388,872
3 Other short-term receivables	136	8	6,385,647,525	4,694,206,744
IV. Inventories	140	9	533,730,705,382	317,064,180,766
1. Inventories	141		539,610,705,382	320,814,180,766
2. Provision for impairment of inventories	149		(5,880,000,000)	(3,750,000,000)
V. Other short-term assets	150		1,149,554,161	6,754,941,164
1. Value added tax deductibles	152		1,149,554,161	6,754,941,164
B. NON-CURRENT ASSETS	200		294,341,386,664	140,619,092,008
I. Fixed assets	220		150,922,017,884	77,842,502,369
1. Tangible fixed assets	221	10	150,742,284,941	77,842,502,369
- Cost	222		299,069,211,465	201,574,797,217
- Accumulated depreciation	223		(148,326,926,524)	(123,732,294,848)
2. Intangible assets	227	11	179,732,943	-
- Cost	228		527,779,593	-
- Accumulated depreciation	229		(348,046,650)	-
II. Long-term assets in progress	240		117,516,715,933	39,441,031,957
1. Long-term construction in progress	242	12	117,516,715,933	39,441,031,957
III. Other long-term assets	260		25,902,652,847	23,335,557,682
1. Long-term prepayments	261	13	24,726,652,847	22,585,557,682
2. Deferred tax assets	262		1,176,000,000	750,000,000
TOTAL ASSETS (270=100+200)	270		1,193,068,558,496	750,916,044,229

BALANCE SHEET

Assets	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		643,515,135,218	553,629,139,262
I. Current liabilities	310		554,931,355,871	536,474,184,292
1. Short-term trade payables	311	14	197,272,129,492	174,172,973,197
2. Short-term advances from customers	312	15	23,002,914,610	21,197,184,486
3. Taxes and amounts payable to the State budget	313	16	7,863,885,669	2,736,126,706
4. Payables to employees	314		14,413,296,909	10,626,059,268
5. Short-term accrued expenses	315	17	183,809,244	-
5. Other current payables	319	17	5,864,844,668	2,759,454,929
6. Short-term loans and obligations under finance leases	320	18	304,443,291,452	324,982,385,706
12. Bonus and welfare funds	322		1,887,183,827	-
II. Long-term liabilities	330		88,583,779,347	17,154,954,970
1. Long-term loans and obligations under finance leases	338	18	88,583,779,347	17,154,954,970
D. EQUITY	400		549,553,423,278	197,286,904,967
I. Owner's equity	410	18	549,553,423,278	197,286,904,967
1. Owner's contributed capital	411		268,078,350,000	124,741,943,617
- Ordinary shares carrying voting rights	411a		268,078,350,000	124,741,943,617
2. Share premium	412		148,635,952,680	-
8. Investment and development fund	418		3,145,306,378	-
2. Retained earnings	421		129,693,814,220	72,544,961,350
- Retained earnings/(losses) accumulated to the prior year end	421a		71,820,176,866	71,640,578,198
- Retained earnings/(losses) of the current year	421b		57,873,637,354	904,383,152
TOTAL LIABILITIES & EQUITY (440 = 300+ 400)	440		1,193,068,558,496	750,916,044,229



Hsu, Ting Hsin
Chief Executive Officer

Nguyen Thi Cam Van
Preparer

Nguyen Thi Cam Van
Chief Accountant

INCOME STATEMENT

Items	Codes	Notes	Closing balance	Opening balance
1. Gross revenue from goods sold and services rendered	01		545,284,382,219	132,234,788,338
2. Deductions	02		-	-
3. Net revenue from goods sold and services rendered (10=01-02)	10	20	545,284,382,219	132,234,788,338
4. Cost of sales	11	21	423,401,299,992	114,477,059,495
5. Gross profit from goods sold and services rendered	20		121,883,082,227	17,757,728,843
6. Financial income	21	23	3,029,749,665	4,223,534,734
7. Financial expenses	22	24	16,006,497,177	12,236,878,230
- In which: Interest expense	23		15,586,922,369	4,223,534,734
8. Selling expenses	25		12,268,614,510	2,324,977,829
9. General and administration expenses	26	25	28,678,309,408	6,673,957,760
10. Operating profit {30 = 20 + (21) - (26)}	30	26	67,959,410,797	745,449,758
11. Other income	31		195,193,635	98,181,819
12. Other expenses	32		381,180,765	535,798,593
13. Profit from other activities	40		(185,987,130)	(437,616,774)
14. Accounting profit before tax (50=30+40)	50		67,773,423,667	307,832,984
15. Current corporate income tax expense	51	27	5,293,296,108	153,449,832
16. Deferred corporate tax (income)/expense	52	28	(426,000,000)	(750,000,000)
17. Net profit after corporate income tax (60 = 50 - 51)	60		62,906,127,559	904,383,152
18. Earnings per share	70	29	3,602	77



Hsu, Ting Hsin
Chief Executive Officer

Nguyen Thi Cam Van
Preparer

Nguyen Thi Cam Van
Chief Accountant

CASH FLOW STATEMENT

Items	Codes	This year	Last period
I. Cash flows from operating activities			
1. Profit (loss) before tax	01	67,773,423,667	307,832,984
2. Adjustments for:			
Depreciation and amortisation	02	25,354,543,490	5,309,161,044
Provisions	03	2,130,000,000	3,750,000,000
Unrealized foreign exchange difference	04	(1,760,392,575)	4,323,675,913
(Gain) loss from investing activities	05	(560,045,773)	(191,762,921)
Interest expense	06	15,586,922,369	9,992,595,714
3. Operating profit (loss) before movements in working capital	08	108,524,451,178	23,491,502,734
(Increase) decrease in receivables	09	(53,580,656,636)	(80,483,567,224)
(Increase) decrease in inventories	10	(218,796,524,616)	(48,611,455,606)
Increase (decrease) in accounts payable (not including accrued interest and business income tax payable)	11	33,452,941,676	62,988,365,868
(Increase) decrease in prepaid expenses	12	(2,909,066,826)	697,916,853
Interest paid	13	(15,131,574,318)	(9,992,595,714)
Corporate income tax paid	14	(1,975,216,698)	(551,692,978)
Net cash from (used in) operating activities	20	(150,415,646,240)	(52,461,526,067)
II. Cash flows from investing activities			
1. Acquisition of fixed assets and other long-term assets	21	(175,658,558,924)	(16,098,190,597)
2. Proceeds from sales of fixed assets and other long-term assets	22	90,909,091	98,181,819
3. Cash outflow for lending and buying debt instruments of other companies	23	(37,880,000,000)	-
4. Cash recovered from lending and selling debt instruments of other companies	24	31,880,000,000	-
5. Dividend received	27	306,055,839	93,581,102
Net cash from (used in) investing activities	30	(181,261,593,994)	(15,906,427,676)
III. Cash flows from financing activities			
1. Proceeds from issuing stocks, receiving capital from owners	31	276,507,359,063	12,839,680,000
2. Proceeds from borrowings	33	476,320,412,936	3,742,433,929
3. Repayments of borrowings	34	(409,379,529,630)	45,549,126,960
Net cash from (used in) financing activities	40	343,448,242,369	62,131,240,889
Net increase (decrease) in cash and cash equivalents (50 = 20+30+40)	50	11,771,002,135	(6,236,712,854)
Cash and cash equivalents at beginning of year	60	427,528,237	7,143,628,939
Cash and cash equivalents at end of year	61	339,442,227	(479,387,848)
Effect of changes in foreign exchange rates	70	12,537,972,599	427,528,237



Hsu, Ting Hsin
Chief Executive Officer

Nguyen Thi Cam Van
Preparer

Nguyen Thi Cam Van
Chief Accountant

1. GENERAL INFORMATION

Structure of ownership

Vietnam Fortress Tools Joint Stock Company is a company which was transformed from Vietnam Formosa Tools Company Limited to a joint stock company under Business Registration Certificate of Joint Stock Company No. 1000383611 dated 23 September 2016 issued by the Department of Planning and Investment of Thai Binh Province.

On 14 December 2016, the Company was renamed from Vietnam Formosa Tools Co., Ltd to Vietnam Fortress Tools Joint Stock Company.

According to the 12th amended Business Registration Certificate dated 28 December 2017, the Company's charter capital is VND 268,078,350,000, equivalent to 26,807,835 shares with the par value of VND 10,000 per share.

The number of the Company's employees as at 31 December 2017 was 1,679 (as at 1 January 2017: 1,243).

Operating industry and principal activities

The Company's operating industry is to trade, process and manufacture garden tools and accessories; Trade and produce garden furniture; Trade and manufacture metal products; Manufacture and trade in machine tools; Heat treatment, electroplating and other related products and services; 90% of the Company's products is for export, the rest is for domestic market.

The Company's principal activities are to trade, process and manufacture garden tools and accessories; Trade and produce garden furniture.

Normal production and business cycle

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

Declaration on comparability of information on financial statements

On 23 September 2016, Vietnam Fortress Tools Joint Stock Company was transformed from company limited to joint stock company; therefore, the figures presented in comparison columns of the income statement, cash flow statement and the notes to the financial statements are figures from 23 September 2016 to 31 December 2016. These figures are presented to provide additional information and cannot be compared with the current period due to the heterogeneity in the accounting period.

2. FINANCIAL YEAR, APPLIED ACCOUNTING STANDARDS AND REGIME

Financial year

The Company's financial year begins on 1 January and ends on 31 December.

Declaration of compliance with accounting standard and accounting regime

The Board of Management ensures compliance with the requirements of Vietnamese Accounting Standards, accounting regime for enterprises in accordance with Circular No. 200/2014/TT-BTC dated 22 December 2014 and circulars guiding the implementation of accounting standards of the Ministry of Finance in preparation of financial statements.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

3. NEW LAW ON ACCOUNTING

The Law on Accounting No. 88/2015/HQH13 was passed on 20 November 2015, by the 13th National Assembly of the Socialist Republic of Vietnam, at its 10th session, and takes effect as from 1 January 2017. Pursuant to Article 28 - Evaluation and recognition at fair value. However, by the time of issuing this report, there is no guidance in applying the assessment and recognition at fair value. Therefore, the Company has not applied the fair value in preparing the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted by the Company in the preparation of these financial statements:

Estimates

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

Financial instruments

Initial recognition

Financial assets: At the date of initial recognition, financial assets are recognised at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Company comprise cash, cash equivalents, trade and other receivables, deposits, financial investments and derivative financial instruments.

Financial liabilities: At the date of initial recognition financial liabilities are recognised at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise trade and other payables, accrued expenses, borrowings and derivative financial instruments.

Subsequent measurement after initial recognition

Currently, Circular No. 210/2009/TT-BTC issued by the Ministry of Finance dated 6 November 2009 ("Circular 210") and the current regulations have no specific guidance on determining the fair value of financial assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Receivables

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations and the Group's policy which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date and become slow-moving inventories, as follows:

Provision will be made for slow-moving inventories if the goods stay in inventory for more than 2 year. Starting rate is 6% and increases 4% after each year.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

	<u>Year</u>
Buildings and structures	06 - 50
Machinery and equipment	05 - 12
Management equipment	05
Motor vehicles	05 - 12

Intangible fixed assets and amortisation

Copyright software use rights

The costs of copyright software use rights are initially recognized at their purchase prices and are depreciated using the straight-line method over their estimated useful lives as follows:

	<u>Year</u>
Computer software	03 - 05

Construction in progress

Assets in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Long-term prepayments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Payables and accrued expenses

Payables and accrued expenses are recognized for future amounts payable related to goods and services received. Accrued expenses are recognized based on reasonable estimates of the amount payable.

The classification of payables into trade payables, accrued expenses, inter-company payables and other payables are made on the following principles:

Trade payables reflect payables arising from purchases of goods, services, assets and sellers are independent units to the Company, including accounts payable upon importation through consignee.

Accrued expenses reflect amounts payable for goods or services received from the seller or provided to the buyer but not be paid due to lack of invoices or incomplete accounting records and documents, payments to employees for leave and prepaid production and business expenses.

Other payables reflect non-trade payables and does not relate to the purchase, sale or supply of goods or services.

Revenue recognition

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

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

The Company retains neither continuing managerial involvement to the degree usually associated with; ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement. Unrealised exchange gains as at the balance sheet date are not treated as part of distributable profit to owner.

Borrowing costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

The Company is entitled to a corporate income tax rate of 15% for 12 years from the date of commencement of its business operations. The Company is entitled to a tax exemption for 3 years from the date of taxable income (2009) and a reduction of 50% of corporate income tax payable for the next 7 years.

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

Related parties

Parties are considered to be related when one party has ability to control another or has significant influence in making decision related to financial and operation policies. Parties are also considered as related parties when they are under the same control and significant influence.

When considering the relationship of related parties, it is more focused on the nature of the relationship than the legal form.

NOTE ON COMPARATIVE FIGURES

Comparative figures are figures on the audited financial statements for the operating period from 23 September 2016 to 31 December 2016 (the first operating period in the form of Joint Stock Company). Therefore, the figures in the "Prior period" column in the income statement and cash flow statement are figures for the period from 23 September 2016 to 31 December 2016.

These figures are presented for the purpose of providing additional information and cannot be compared with the current period due to the heterogeneity in the accounting period.