

**Vietnam Fortress Tools Joint Stock Company**

Financial statements

For the year ended 31 December 2018



# Vietnam Fortress Tools Joint Stock Company

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# Vietnam Fortress Tools Joint Stock Company

## GENERAL INFORMATION

### THE COMPANY

Vietnam Fortress Tools Joint Stock Company ("the Company") is a joint stock company established under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 1000383611 issued by Thai Binh Department of Planning and Investment on 23 September 2016. The Company subsequently received amended Business Registration Certificates with the 13<sup>rd</sup> amended Business Registration Certificate dated 31 May 2018 and Investment License No. 4304315420 issued by Management Board of Thai Binh Economic Zone and Industrial Parks on 17 July 2010 with the 10<sup>th</sup> amendment on 11 March 2019 as the latest.

The Company has officially become a public interest entity since 21 June 2018 under the Letter No. 3889/UBCK-GSDC issued by the State Security Commission.

The principal activities of the Company are:

- ▶ trading, manufacturing and processing gardening accessories;
- ▶ trading and manufacturing metal products;
- ▶ manufacturing machineries and tools; and
- ▶ heat treatment, electroplating;
- ▶ manufacturing toys and games made of wood (except for wood processing, harmful toys to personality education, children's healths or security and society); and
- ▶ other business activities in accordance with the Company's Business Registration Certificate.

The Company has its head office located at Lot B8, B9 and B10, Phuc Khanh Industrial Zone, Phu Khanh district, Thai Binh province, Vietnam and its representative office located at Floor No. 16, Deaha Business Center Building, 360 Kim Ma street, Ba Dinh district, Hanoi, Vietnam.

### BOARD OF DIRECTORS

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

Mr. Hsu Ting Hsin	Chairman
Mr. Carl Ronald Gordon	Independent member
Mr. Tsai Jer – Shyong	Independent member
Mr. Liang Tung Hsing	Member
Mr. Tsai Chui Tien	Member

### BOARD OF SUPERVISION

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

Ms. Vi Nguyet Cam	Head of Supervisory Board
Ms. Nguyen Thi Linh	Member
Ms. Le Thi Thu Huong	Member

# Vietnam Fortress Tools Joint Stock Company

## GENERAL INFORMATION (continued)

### MANAGEMENT

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

Mr. Hsu Ting Hsin	Chief Executive Officer	
Mr. Hsu Wei Chun	Deputy Chief Executive Officer	
Mr. Kuo Hsien Cheng	Deputy Chief Executive Officer	
Ms. Duong Thi Thom	Deputy Chief Executive Officer	appointed on 2 January 2019
Mr. Chang Neng Ching	Deputy Chief Executive Officer	resigned on 1 February 2019
Mr. Chang Yu Chung	Deputy Chief Executive Officer	appointed on 1 March 2018
		resigned on 19 July 2018
Mr. Pham Van Trung	Deputy Chief Executive Officer	appointed on 19 July 2018
		resigned on 7 November 2018
Mr. Mu Hong Tao	Deputy Chief Executive Officer	appointed on 6 March 2019

### LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Hsu Ting Hsin, the Company's Chief Executive Officer.

### AUDITORS

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

# Vietnam Fortress Tools Joint Stock Company

## REPORT OF MANAGEMENT

Management of Vietnam Fortress Tools Joint Stock Company ("the Company") is pleased to present this report and the financial statements for the year ended 31 December 2018.

### MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows for the year. In preparing those 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 financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

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 to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company 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 financial statements.

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and the presentation of the financial statements.

For and on behalf of management



Hsu Ting Hsin  
Chief Executive Officer

Thai Binh, Vietnam

27 March 2019

Reference: 61382523/20160238-311218

## **INDEPENDENT AUDITORS' REPORT**

**To: The Shareholders of Vietnam Fortress Tools Joint Stock Company**

We have audited the accompanying financial statements of Vietnam Fortress Tools Joint Stock Company ("the Company") as prepared on 27 March 2019 and set out on pages 6 to 38, which comprise the balance sheet as at 31 December 2018, and the income statement and the cash flow statement for the year then ended and the notes thereto.

### ***Management's responsibility***

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

### ***Auditors' responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2018, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of financial statements.

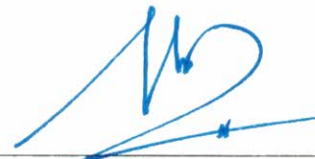
**Other matter**

The financial statements of the Company for the year ended 31 December 2017 were audited by other auditors who expressed an unmodified opinion on those statements on 9 March 2018.

**Ernst & Young Vietnam Limited**



Le Duc Truong  
Deputy General Director  
Audit Practising Registration  
Certificate No: 0816-2018-004-1



Dao Van Thich  
Auditor  
Audit Practising Registration  
Certificate No. 3732-2016-004-1

Hanoi, Vietnam

28 March 2019

BALANCE SHEET  
as at 31 December 2018

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>1,287,562,779,927</b>	<b>898,727,171,832</b>
<b>110</b>	<b>I. Cash</b>	<b>4</b>	<b>643,438,433</b>	<b>12,537,972,599</b>
111	1. Cash		643,438,433	12,537,972,599
<b>120</b>	<b>II. Short-term investments</b>		<b>10,650,000,000</b>	<b>10,000,000,000</b>
123	1. Held-to-maturity investments	5	10,650,000,000	10,000,000,000
<b>130</b>	<b>III. Current accounts receivable</b>		<b>594,911,426,945</b>	<b>341,308,939,690</b>
131	1. Short-term trade receivables	6.1	586,026,179,857	330,436,491,243
132	2. Short-term advances to suppliers	6.2	3,869,139,580	4,486,800,922
136	3. Other short-term receivables	7	5,016,107,508	6,385,647,525
<b>140</b>	<b>IV. Inventories</b>	<b>8</b>	<b>681,314,541,276</b>	<b>533,730,705,382</b>
141	1. Inventories		685,487,011,664	539,610,705,382
149	2. Provision for obsolete inventories		(4,172,470,388)	(5,880,000,000)
<b>150</b>	<b>V. Other current assets</b>		<b>43,373,273</b>	<b>1,149,554,161</b>
152	1. Value added tax deductible	14	43,373,273	1,149,554,161
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>392,375,768,584</b>	<b>294,341,386,664</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>351,745,768,578</b>	<b>150,922,017,884</b>
221	1. Tangible fixed assets	9	351,657,592,122	150,742,284,941
222	Cost		533,618,279,282	299,069,211,465
223	Accumulated depreciation		(181,960,687,160)	(148,326,926,524)
227	2. Intangible fixed assets	10	88,176,456	179,732,943
228	Cost		527,779,593	527,779,593
229	Accumulated amortisation		(439,603,137)	(348,046,650)
<b>240</b>	<b>II. Long-term assets in progress</b>		<b>-</b>	<b>117,516,715,933</b>
242	1. Construction in progress		-	117,516,715,933
<b>260</b>	<b>III. Other long-term assets</b>		<b>40,630,000,006</b>	<b>25,902,652,847</b>
261	1. Long-term prepaid expenses	11	40,456,822,786	24,726,652,847
262	2. Deferred tax assets	24.3	173,177,220	1,176,000,000
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,679,938,548,511</b>	<b>1,193,068,558,496</b>




Vietnam Fortress Tools Joint Stock Company

B01-DN

BALANCE SHEET (continued)  
as at 31 December 2018

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>1,008,318,025,367</b>	<b>643,515,135,218</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>948,973,440,311</b>	<b>554,931,355,871</b>
311	1. Short-term trade payables	13.1	511,014,607,984	197,272,129,492
312	2. Short-term advances from customers	13.2	9,287,471,556	23,002,914,610
313	3. Statutory obligations	14	10,700,538,639	7,863,885,669
314	4. Payables to employees		17,015,022,597	14,413,296,909
315	5. Short-term accrued expenses		1,562,442,839	183,809,244
319	6. Other short-term payables		3,342,192,639	5,864,844,668
320	7. Short-term loan	15	390,388,254,683	304,443,291,452
322	8. Bonus and welfare fund	17	5,662,909,374	1,887,183,827
<b>330</b>	<b>II. Non-current liabilities</b>		<b>59,344,585,056</b>	<b>88,583,779,347</b>
338	1. Long-term loan	15	58,670,667,281	88,583,779,347
342	2. Long-term provisions	16	673,917,775	-
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>671,620,523,144</b>	<b>549,553,423,278</b>
<b>410</b>	<b>I. Capital</b>	<b>17</b>	<b>671,620,523,144</b>	<b>549,553,423,278</b>
411	1. Share capital		268,078,350,000	268,078,350,000
411a	- Shares with voting rights		268,078,350,000	268,078,350,000
412	2. Share premium		148,621,259,858	148,635,952,680
418	3. Investment and development fund		9,438,182,290	3,145,306,378
421	4. Undistributed earnings		245,482,730,996	129,693,814,220
421a	- Undistributed earnings by the end of prior year		129,693,814,220	71,820,176,866
421b	- Undistributed earnings of current year		115,788,916,776	57,873,637,354
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,679,938,548,511</b>	<b>1,193,068,558,496</b>

  
Nguyen Thi Cam Van  
Preparer

  
Nguyen Thi Cam Van  
Chief Accountant

  
Hsu Ting Hsin  
Chief Executive Officer



27 March 2019

# Vietnam Fortress Tools Joint Stock Company


B02-DN

INCOME STATEMENT  
for the year ended 31 December 2018

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	19.1	897,323,862,150	545,284,382,219
02	2. Deductions		-	-
10	3. Net revenue from sale of goods	19.1	897,323,862,150	545,284,382,219
11	4. Cost of goods sold	20	(680,067,882,417)	(423,401,299,992)
20	5. Gross profit from sale of goods		217,255,979,733	121,883,082,227
21	6. Finance income	19.2	4,509,730,179	3,029,749,665
22	7. Finance expenses	21	(29,583,137,349)	(16,006,497,177)
23	- In which: Interest expenses		(26,077,825,927)	(15,586,922,369)
25	8. Selling expenses	22	(15,061,478,317)	(12,268,614,510)
26	9. General and administrative expenses	22	(38,929,496,495)	(28,678,309,408)
30	10. Operating profit		138,191,597,751	67,959,410,797
31	11. Other income		1,890,251,992	195,193,635
32	12. Other expenses		(3,091,428,540)	(381,180,765)
40	13. Other loss		(1,201,176,548)	(185,987,130)
50	14. Accounting profit before tax		136,990,421,203	67,773,423,667
51	15. Current corporate income tax expense	24.1	(10,130,080,188)	(5,293,296,108)
52	16. Deferred tax (expense)/income	24.3	(1,002,822,780)	426,000,000
60	17. Net profit after tax		125,857,518,235	62,906,127,559
70	18. Basic earnings per share	26	4,554	3,602
71	19. Diluted earnings per share	26	4,554	3,602

  
Nguyen Thi Cam Van  
Preparer

  
Nguyen Thi Cam Van  
Chief Accountant

  
Hsu Ting Hsin  
Chief Executive Officer



27 March 2019

CASH FLOW STATEMENT  
for the year ended 31 December 2018

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>Profit before tax</b>		<b>136,990,421,203</b>	<b>67,773,423,667</b>
	<i>Adjustments for:</i>			
02	Depreciation of fixed assets and amortisation of intangible fixed assets		33,736,922,683	25,354,543,490
03	(Reversal of provision)/provisions		(1,033,611,837)	2,130,000,000
04	Foreign exchange losses/(gains) arising from revaluation of monetary accounts denominated in foreign currency		902,028,656	(1,760,392,575)
05	Profits from investing activities		(695,137,228)	(560,045,773)
06	Interest expenses	21	26,077,825,927	15,586,922,369
<b>08</b>	<b>Operating profit before changes in working capital</b>		<b>195,978,449,404</b>	<b>108,524,451,178</b>
09	Increase in receivables		(248,529,888,248)	(53,580,656,636)
10	Increase in inventories		(145,876,306,282)	(218,796,524,616)
11	Increase in payables		308,978,614,042	33,452,941,676
12	Increase in prepaid expenses		(15,730,169,939)	(2,909,066,827)
14	Interest paid		(24,699,192,333)	(15,131,574,318)
15	Corporate income tax paid	14	(7,557,094,763)	(1,975,216,698)
<b>20</b>	<b>Net cash flows from/(used in) operating activities</b>		<b>62,564,411,881</b>	<b>(150,415,646,240)</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets and other long-term assets		(123,846,890,923)	(175,658,558,924)
22	Proceeds from disposals of fixed assets and other long-term assets		-	90,909,091
23	Loans to other entities		(650,000,000)	(37,880,000,000)
24	Collections from borrowers		-	31,880,000,000
27	Interest received		695,495,560	306,055,839
<b>30</b>	<b>Net cash flows used in investing activities</b>		<b>(123,801,395,363)</b>	<b>(181,261,593,994)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Issuance of shares		-	276,507,359,063
33	Drawdown of borrowings		528,227,691,806	476,320,412,936
34	Repayment of borrowings		(478,884,994,778)	(409,379,529,630)
<b>40</b>	<b>Net cash flows from financing activities</b>		<b>49,342,697,028</b>	<b>343,448,242,369</b>


# Vietnam Fortress Tools Joint Stock Company

B03-DN

CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2018

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
50	Net (decrease)/increase in cash for the year		(11,894,286,454)	11,771,002,135
60	Cash at the beginning of the year		12,537,972,599	427,528,237
61	Impact of exchange rate fluctuation		(247,712)	339,442,227
70	Cash at the end of the year	4	643,438,433	12,537,972,599

  
\_\_\_\_\_  
Nguyen Thi Cam Van  
Preparer

  
\_\_\_\_\_  
Nguyen Thi Cam Van  
Chief Accountant



  
\_\_\_\_\_  
Hsu Ting Hsin  
Chief Executive Officer

27 March 2019

NOTES TO THE FINANCIAL STATEMENTS  
as at 31 December 2018 and for the year then ended

## 1. CORPORATE INFORMATION

Vietnam Fortress Tools Joint Stock Company ("the Company") is a joint stock company established under the Law on Enterprise of Vietnam pursuant to Business Registration Certificate No. 1000383611 issued by Thai Binh Department of Planning and Investment on 23 September 2016. The Company subsequently received amended Business Registration Certificates with the 13<sup>rd</sup> amended Business Registration Certificate dated 31 May 2018 and Investment License No. 4304315420 issued by Management Board of Thai Binh Economic Zone and Industrial Parks on 17 July 2010 with the 10<sup>th</sup> amendment on 11 March 2019 as the latest.

The Company has officially become a public interest entity since 21 June 2018, under the Letter No. 3889/UBCK-GSDC issued by the State Security Commission.

The principal activities of the Company are:

- ▶ trading, manufacturing and processing gardening accessories;
- ▶ trading and manufacturing metal products;
- ▶ manufacturing machineries and tools; and
- ▶ manufacturing toys and games made of wood (except for wood processing, harmful toys to personality education, children's healths or security and society); and
- ▶ other business activities in accordance with the Company's Business Registration Certificate.

The Company has its head office located at Lot B8, B9 and B10, Phuc Khanh Industrial Zone, Phu Khanh district, Thai Binh province, Vietnam and its representative office located at Floor No. 16, Deaha Business Center Building, 360 Kim Ma street, Ba Dinh district, Hanoi, Vietnam.

The number of the Company's employees as at 31 December 2018 is 1,999 (31 December 2017: 1,679).

## 2. BASIS OF PREPARATION

### 2.1 *Accounting standards and system*

The financial statements of the Company ("the Company") expressed in Vietnam dong ("VND"), are prepared in accordance with Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 2. BASIS OF PREPARATION (continued)

### 2.1 *Accounting standards and system* (continued)

Accordingly, the accompanying financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

### 2.2 *Applied accounting documentation system*

The Company's applied accounting documentation system is the General Journal System.

### 2.3 *Fiscal year*

The Company's fiscal year applicable for the preparation of its financial statements starts on 1 January and ends on 31 December.

### 2.4 *Accounting currency*

The financial statements are prepared in VND which is also the Company's accounting currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 *Cash*

Cash comprise cash on hand, cash in banks.

### 3.2 *Inventories*

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value ("NRV") 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.

The perpetual method is used to record inventories, which are valued as follows:

Materials, merchandises, tools and supplies - cost of purchase on a weighted average cost basis.

Finished goods, work in progress - cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

#### *Provision for obsolete inventories*

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases or decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3 *Receivables*

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases or decreases to the provision balance are recorded as general and administrative expenses in the income statement.

#### 3.4 *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

#### 3.5 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

#### 3.6 *Leased assets*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

*Where the Company is the lessee*

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.7 *Depreciation and amortisation*

Depreciation of tangible fixed assets and amortisation of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	5 - 20 years
Machinery and equipment	3 - 12 years
Means of transportation	5 - 10 years
Office equipment	3 years
Computer software	3- 5 years

#### 3.8 *Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs are recorded as expense during the year in which they are incurred, except to the extent that they are capitalised as explained in the following paragraph.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset.

#### 3.9 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

##### *Prepaid land rentals*

The prepaid land rental represents the unmortised balance of advance payments made in accordance with the Lease Contracts No 12/HDTLD-DT and No. 012016/HD-DT signed with Dai Tin Industrial Zone Development Joint Stock Company on 5 May 2006 and 3 August 2016 for periods of 46 years plus 8 months and 36 years plus 5 months, respectively. Such prepaid rental is recognized as long-term prepaid expense for allocation to the income statement over the remaining lease period according to Circular 45/2013/TT-BTC providing guideline for the management, use and calculation of the depreciation/amortisation of tangible fixed assets and intangible fixed assets.

#### 3.10 *Investments*

##### *Held-to-maturity investments*

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as expense in the financial statements and deducted against the value of such investments.

#### 3.11 *Payables and accruals*

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.



NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.12 *Accrual for severance pay*

The severance pay to employee is accrued at the end of each reporting year for all employees who have been in service more than 12 months up to balance sheet date at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code and related implementing guidance. The average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the reporting date. Increases or decreases to the accrued amount other than actual payment to employee will be taken to the income statement.

This accrued severance pay is used to settle the termination allowance to be paid to employee upon termination of their labour contract following Article 48 of the Labour Code.

#### 3.13 *Foreign currency transactions*

Transactions in currencies other than the Company's reporting currency (VND) are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- ▶ Transactions resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- ▶ Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment; and
- ▶ Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

At the end of the year, monetary balances denominated in foreign currencies are translated at the actual exchange rates at the balance sheet dates which are determined as follows:

- ▶ Monetary assets are translated at buying exchange rate of the commercial bank where the Company conduct transactions regularly; and
- ▶ Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company conduct transactions regularly.

All exchange differences incurred during the year and arising from the translation of monetary accounts denominated in foreign currency at year-end are taken to the income statement.

#### 3.14 *Appropriation of net profits*

Net profit after tax is available for appropriation to shareholders after approval in the annual shareholders meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and approved at the annual shareholders' meeting.

##### *Investment and development fund*

This fund is set aside for use in the Company's expansion of its operations or in-depth investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.14 *Appropriation of net profits* (continued)

##### *Bonus and welfare fund*

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits, and presented as a liability on the balance sheet.

#### 3.15 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

##### *Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

##### *Interest*

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

#### 3.16 *Taxation*

##### *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 the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to set off current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

##### *Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.16 *Taxation* (continued)

##### *Deferred tax* (continued)

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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. Previously unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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 at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to off-set current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- ▶ either the same taxable entity; or
- ▶ when the Company intends either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### 3.17 *Earnings per share*

Basic earnings per share amounts are calculated by dividing net profit/(loss) after tax for the year attributable to ordinary shareholders of the Group (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

#### 3.18 *Segment information*

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.19 Related parties

Parties are considered to be related parties of the Company if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the Company and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

### 4. CASH

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	228,269,091	12,242,926
Cash at bank	415,169,342	12,525,729,673
<b>TOTAL</b>	<b>643,438,433</b>	<b>12,537,972,599</b>

### 5. HELD-TO-MATURITY INVESTMENTS

	<i>Currency: VND</i>			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Carrying value</i>	<i>Cost</i>	<i>Carrying value</i>
Term deposit	10,650,000,000	10,650,000,000	10,000,000,000	10,000,000,000
<b>TOTAL</b>	<b>10,650,000,000</b>	<b>10,650,000,000</b>	<b>10,000,000,000</b>	<b>10,000,000,000</b>

Term deposit as at 31 December 2018 represents a deposit at Military Commercial Joint Stock Bank – Thai Binh Branch with term of 12 months and earns interest at 6.3% per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 6. SHORT-TERM TRADE RECEIVABLES AND SHORT-TERM ADVANCES TO SUPPLIERS

### 6.1 Short-term trade receivables

	Currency: VND	
	Ending balance	Beginning balance
Short term trade receivables	10,388,340,529	1,712,579,633
- XHL Co., Ltd	10,370,985,530	-
- Other customers	17,354,999	1,712,579,633
Short term trade receivables from related parties (Note 25)	575,637,839,328	328,723,911,610
<b>TOTAL</b>	<b>586,026,179,857</b>	<b>330,436,491,243</b>

### 6.2 Short-term advances to suppliers

	Currency: VND	
	Ending balance	Beginning balance
Heng Leong Investment and Development Joint Stock Company	1,750,000,000	1,750,000,000
An Viet Audit Company Limited	-	780,000,000
China Steel Sumikin Vietnam JSC	-	344,693,492
Others suppliers	2,119,139,580	1,612,107,430
<b>TOTAL</b>	<b>3,869,139,580</b>	<b>4,486,800,922</b>

## 7. OTHER SHORT-TERM RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
Value added taxes	2,516,000,000	4,084,250,000
Import tax	1,384,632,507	1,923,825,447
An Viet Audit Company Limited	780,000,000	-
Interest from bank deposit	335,475,001	335,833,333
Staff advances	-	41,738,745
<b>TOTAL</b>	<b>5,016,107,508</b>	<b>6,385,647,525</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 8. INVENTORIES

Currency: VND

	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Provision</i>	<i>Cost</i>	<i>Provision</i>
Goods in transit	18,311,501,098	-	-	-
Raw materials	105,544,959,456	-	70,845,653,851	-
Tools and supplies	8,985,299,705	-	5,510,895,043	-
Work in process	405,144,455,395	(4,172,470,388)	295,603,982,192	(5,880,000,000)
Finished goods	144,944,638,854	-	152,873,473,334	-
Goods on consignment	2,556,157,156	-	14,776,700,962	-
<b>TOTAL</b>	<b><u>685,487,011,664</u></b>	<b><u>(4,172,470,388)</u></b>	<b><u>539,610,705,382</u></b>	<b><u>(5,880,000,000)</u></b>

### *Details of movement of provision for obsolete inventories:*

Currency: VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Beginning balance	5,880,000,000	3,750,000,000
Add: Provision made during the year	-	2,130,000,000
Less: Reversal of provision during the year	(1,707,529,612)	-
<b>Ending balance</b>	<b><u>4,172,470,388</u></b>	<b><u>5,880,000,000</u></b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 9. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Total
<b>Cost:</b>					
Beginning balance	23,078,441,746	270,204,690,869	5,162,714,305	623,364,545	299,069,211,465
- Newly purchase	-	100,232,543,035	-	-	100,232,543,035
- Transfer from construction in progress	133,680,410,765	689,090,909	-	-	134,369,501,674
- Reclassification	-	(52,976,892)	-	-	(52,976,892)
Ending balance	156,758,852,511	371,073,347,921	5,162,714,305	623,364,545	533,618,279,282
<i>In which:</i>					
Fully depreciated	124,815,370	96,567,213,554	1,300,909,091	623,364,545	98,616,302,560
<b>Accumulated depreciation:</b>					
Beginning balance	11,505,555,101	132,141,070,396	4,056,936,482	623,364,545	148,326,926,524
- Depreciation for the year	5,585,152,384	27,540,454,951	519,758,861	-	33,645,366,196
- Reclassification	-	(11,605,560)	-	-	(11,605,560)
Ending balance	17,090,707,485	159,669,919,787	4,576,695,343	623,364,545	181,960,687,160
<b>Net carrying amount:</b>					
Beginning balance	11,572,886,645	138,063,620,473	1,105,777,823	-	150,742,284,941
Ending balance	139,668,145,026	211,403,428,134	586,018,962	-	351,657,592,122
<i>In which:</i>					
Cost of fixed assets used as loan collateral (Note 15)	131,739,213,211	149,913,861,781	-	-	281,653,074,992

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

#### 10. INTANGIBLE FIXED ASSETS

Currency: VND  
Computer software

##### Cost:

Beginning balance	<u>527,779,593</u>
Ending balance	<u>527,779,593</u>

##### Accumulated amortisation:

Beginning balance	348,046,650
- Amortisation for the year	<u>91,556,487</u>
Ending balance	<u>439,603,137</u>

##### Net carrying amount:

Beginning balance	<u>179,732,943</u>
Ending balance	<u>88,176,456</u>

#### 11. LONG-TERM PREPAID EXPENSES

Currency: VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Prepaid infrastructure and land rental	25,273,346,359	17,084,242,011
Tools and supplies	13,691,168,064	7,642,410,836
Others	<u>1,492,308,363</u>	-
<b>TOTAL</b>	<u><b>40,456,822,786</b></u>	<u><b>24,726,652,847</b></u>

#### 12. CAPITALIZED BORROWING COSTS

During the year ended 31 December 2018, the Company capitalized borrowing costs amounting to VND 3,015,130,328. These costs relate to specific borrowings taken to finance the construction of the pruners factory project.



NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 13. SHORT-TERM TRADE PAYABLES AND SHORT-TERM ADVANCES FROM CUSTOMERS

#### 13.1 Short-term trade payables

Currency: VND

	Ending balance		Beginning balance	
	Balance	Payable amount	Balance	Payable amount
Trade payables to suppliers	150,022,866,275	150,022,866,275	72,380,136,832	72,380,136,832
- Hsin Yue Hsing Company Limited	22,597,694,434	22,597,694,434	18,557,245,237	18,557,245,237
- An Think Import and Export Joint Stock Company	18,045,283,761	18,045,283,761	6,955,480,666	6,955,480,666
- Trade payables to other suppliers	109,379,888,080	109,379,888,080	46,867,410,929	46,867,410,929
Trade payables to related parties (Note 25)	360,991,741,709	360,991,741,709	124,891,992,660	124,891,992,660
<b>TOTAL</b>	<b>511,014,607,984</b>	<b>511,014,607,984</b>	<b>197,272,129,492</b>	<b>197,272,129,492</b>

#### 13.2 Short-term advances from customers

Currency: VND

	Ending balance	Beginning balance
Advances from customers	8,367,370,468	1,919,031,290
- Bond Manufacturing Co., Inc	7,250,668,572	-
- HL Corporation Co., Ltd.	376,055,840	-
- Advance from other customers	740,646,056	1,919,031,290
Advance from related parties (Note 25)	920,101,088	21,083,883,320
<b>TOTAL</b>	<b>9,287,471,556</b>	<b>23,002,914,610</b>

### 14. STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Payable for the year	Payment made during the year	Ending balance
<b>Payables</b>				
Import/export duties	331,222,261	1,750,130,007	1,736,469,661	344,882,607
Corporate income tax	7,464,692,594	10,130,080,188	7,557,094,763	10,037,678,019
Personal income tax	67,970,814	889,496,430	639,489,231	317,978,013
<b>TOTAL</b>	<b>7,863,885,669</b>	<b>12,769,706,625</b>	<b>9,933,053,655</b>	<b>10,700,538,639</b>
	Beginning balance	Increase in the year	Decrease during the year	Ending balance
<b>Receivables</b>				
Value added tax	1,149,554,161	36,931,628,458	38,037,809,346	43,373,273
<b>TOTAL</b>	<b>1,149,554,161</b>	<b>36,931,628,458</b>	<b>38,037,809,346</b>	<b>43,373,273</b>

Vietnam Fortress Tools Joint Stock Company

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
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15. LOANS

	Beginning balance		Movement during the year		Foreign exchange difference	Ending balance	
	Balance	Payable amount	Increase	Decrease		Balance	Payable amount
<b>Short-term</b>							
Loans from banks (Note 15.1)	280,114,129,297	280,114,129,297	494,966,091,806	(456,565,213,620)	5,826,370,123	324,341,377,606	324,341,377,606
Loans from related parties (Note 15.2)	2,257,157,000	2,257,157,000	33,261,600,000	-	-	35,518,757,000	35,518,757,000
Current portion of long term loans from bank (Note 15.3)	22,072,005,155	22,072,005,155	30,528,120,075	(22,319,781,158)	247,776,005	30,528,120,077	30,528,120,077
<b>TOTAL</b>	<b>304,443,291,452</b>	<b>304,443,291,452</b>	<b>558,755,811,881</b>	<b>(478,884,994,778)</b>	<b>6,074,146,128</b>	<b>390,388,254,683</b>	<b>390,388,254,683</b>
<b>Long-term</b>							
Loans from banks (Note 15.3)	88,583,779,347	88,583,779,347	-	(30,528,120,075)	615,008,009	58,670,667,281	58,670,667,281
<b>TOTAL</b>	<b>88,583,779,347</b>	<b>88,583,779,347</b>	<b>-</b>	<b>(30,528,120,075)</b>	<b>615,008,009</b>	<b>58,670,667,281</b>	<b>58,670,667,281</b>

Currency: VND

## Vietnam Fortress Tools Joint Stock Company

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 15. LOANS (continued)

#### 15.1 Short-term loans from banks

Banks	Contract No.	Ending balance		Principal and interest repayment term	Interest rate per annum	Description of collateral
		(VND)	Original currency (USD)			
Technological and Commercial Joint Stock Bank – Thai Binh Branch	THB2015123/HĐC TD and THB2015123/HĐC TD/PL04	207,633,381,607	8,932,389	Interest is payable monthly at the end of each month. Principle is payable from 4 January 2019 to 25 June 2019 according to each agreement.	5.36%-5.44%	All real estate, debt claims and all receivables of the Company and the inventories, machinery at Lot B8+9+10 with the amount of VND 15,653,468,489.
Military Commercial Joint Stock Bank – Thai Binh Branch	16295.17.755.236 3518.TD	69,681,674,343	2,997,706	Interest is payable monthly on 25th. Principle is payable from 24 February 2019 to 8 May 2019 according to each agreement.	3.80%	All plant tools, gardening equipment at Lot E3 + E3' in Phuc Khanh Industrial Park owned by the Company, including: - Buildings and construction on land; and - Machines and equipment with the amount of VND 80,552,962,582.
	88.17.755.236351 8.TD	47,026,321,656	2,023,073	Interest is payable monthly on 25th. Principle is payable from 18 March 2019 to 6 May 2019 according to each agreement.	3.50%	Deposit with the term of 12 months with the amount of VND 10,650,000,000 and the deposit with the term of 3 months with the amount of VND 37,195,816,000 of Mr Hsu Ting Hsin.
<b>TOTAL</b>		<b>324,341,377,606</b>	<b>13,953,168</b>			

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 15. LOANS (continued)

#### 15.2 Short-term loans from related parties

Entity	Contract's No	Ending balance	Principal and interest repayment term	Interest rate per annum	Description of collateral
Fortune Industrial Park Development Company Limited	20072015	2,257,157,000	Principle and interest are payable on 20 July 2016 (the lender has been liquidated so the repayment has not been made by the balance sheet date).	3.5%	None
Khai Phat Dai Tin Company Limited	01/HEV-DT-FT	13,300,000,000	Principle and interest are payable on 25 April 2019	6.0%	None
	02/HEV-DT-FT	10,000,000,000	Principle and interest are payable on 2 May 2019	6.0%	None
Garden Pals Company Limited	01/2018GP-FTV	9,961,600,000	Principle and interest are payable on 2 June 2019	6.0%	None
		<b>35,518,757,000</b>			

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 15. LOANS AND FINANCE LEASES (continued)

#### 15.3 Long-term loans from banks

Bank	Contract's No	Ending balance		Principal and interest repayment term	Interest rate per annum	Description of collateral
		(VND)	(USD)			
Technological and Commercial Joint Stock Bank - Thai Binh Branch	TBH20150436/HĐTD	14,551,607,173		Interest is payable monthly at the end of each month. Principal is payable quarterly from 20 January 2020 to 11 March 2021	10.54%	Factories, machinery formed from the loan (Factory 3)
Military Commercial Joint Stock Bank – Thai Binh Branch	2893.17.755.23 63518.TD	38,752,082,366	1,667,115	Interest is payable monthly on the 25 <sup>th</sup> . Principal is payable quarterly on the 25 <sup>th</sup> at the end of the quarter from 25 February 2019	5%	All plant tools, gardening equipment at Lot E3 + E3' in Phuc Khanh Industrial Park owned by the Company including:
	2893.17.755.23 63518.TD	35,895,097,819		Interest is payable monthly on the 25 <sup>th</sup> . Principal is payable quarterly on the 25 <sup>th</sup> at the end of the quarter from 25 February 2019	10.5-11.5%	- Buildings and construction on land; and - Machines and equipment with the amount of VND 53,707,430,710.
<b>TOTAL</b>		<b>89,198,787,358</b>	<b>1,667,115</b>			
<i>In which:</i>						
- Current portion		30,528,120,077				
- Long-term loans		58,670,667,281				

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**16. LONG-TERM PROVISION**

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Provision for severance allowance	673,917,775	-
<b>TOTAL</b>	<b>673,917,775</b>	<b>-</b>

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NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

### 17. OWNERS' EQUITY

#### 17.1 Increase and decrease in owners' equity

	Share capital	Share premium	Investment and development fund	Undistributed earnings	Total
Currency: VND					
<b>Previous year</b>					
Beginning balance	124,741,943,617	-	-	72,544,961,350	197,286,904,967
Profit for the year	-	-	-	62,906,127,559	62,906,127,559
Share issuance	143,336,406,383	154,995,533,617	-	-	298,331,940,000
Appropriation to investment and development fund and welfare and bonus fund	-	-	3,145,306,378	(5,032,490,205)	(1,887,183,827)
Other increase	-	-	-	2,804,860,454	2,804,860,454
Other decrease	-	-	-	(3,529,644,938)	(3,529,644,938)
Issue expenses	-	(6,359,580,937)	-	-	(6,359,580,937)
Ending balance	268,078,350,000	148,635,952,680	3,145,306,378	129,693,814,220	549,553,423,278
<b>Current year</b>					
Beginning balance	268,078,350,000	148,635,952,680	3,145,306,378	129,693,814,220	549,553,423,278
Profit for the year	-	-	-	125,857,518,235	125,857,518,235
Appropriation to investment and development fund (*)	-	-	6,292,875,912	(6,292,875,912)	-
Appropriation to welfare and bonus fund (*)	-	-	-	(3,775,725,547)	(3,775,725,547)
Other	-	(14,692,822)	-	-	(14,692,822)
Ending balance	268,078,350,000	148,621,259,858	9,438,182,290	245,482,730,996	671,620,523,144

(\*) During the year, the Company made appropriation to the Investment and Development fund and Welfare and bonus fund in accordance with the General Shareholders' Resolution No. 2704/2018/NQ-DHDCD dated 27 April 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 17. OWNERS' EQUITY (continued)

### 17.2 Share capital

Details of charter shares are as follows:

Currency: VND

	Ending balance			Beginning balance		
	Total	Ordinary shares	Preferred shares	Total	Ordinary shares	Preferred shares
Contributed capital	268,078,350,000	268,078,350,000	-	268,078,350,000	268,078,350,000	-
Share premium	148,621,259,858	148,621,259,858	-	148,635,952,680	148,635,952,680	-
<b>TOTAL</b>	<b>416,699,609,858</b>	<b>416,699,609,858</b>	<b>-</b>	<b>416,714,302,680</b>	<b>416,714,302,680</b>	<b>-</b>

Details of contributed capital are as follows:

	Ending balance		Beginning balance	
	Total (VND)	Ordinary shares	Total (VND)	Ordinary shares
Formosa Tools Co., Ltd.	81,909,810,000	8,190,981	81,909,810,000	8,190,981
Emblem Holding Group Corp.	49,169,000,000	4,916,900	59,169,000,000	5,916,900
Probus Opportunities	25,000,000,000	2,500,000	25,000,000,000	2,500,000
VN Alpha Limited	19,770,000,000	1,977,000	19,770,000,000	1,977,000
Mr. Tsai Chui Tien	34,030,000,000	3,403,000	14,030,000,000	1,403,000
Other shareholders	58,199,540,000	5,819,954	68,199,540,000	6,819,954
<b>TOTAL</b>	<b>268,078,350,000</b>	<b>26,807,835</b>	<b>268,078,350,000</b>	<b>26,807,835</b>

### 17.3 Shares

	Ending balance		Beginning balance	
	Quantity	Amount VND	Quantity	Amount VND
<b>Authorized shares</b>	<b>26,807,835</b>	<b>268,078,350,000</b>	<b>26,807,835</b>	<b>268,078,350,000</b>
<b>Issued shares</b>	<b>26,807,835</b>	<b>268,078,350,000</b>	<b>26,807,835</b>	<b>268,078,350,000</b>
Ordinary shares	26,807,835	268,078,350,000	26,807,835	268,078,350,000
<b>Shares in circulation</b>	<b>26,807,835</b>	<b>268,078,350,000</b>	<b>26,807,835</b>	<b>268,078,350,000</b>
Ordinary shares	26,807,835	268,078,350,000	26,807,835	268,078,350,000

The par value of share in circulation during the year is VND 10,000/share (2017: VND 10,000/share).

## 18. OFF BALANCE SHEET ITEMS

	Ending balance	Beginning balance
Foreign currency		
- USD	2,018	201,609
- EUR	270	294



NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 19. REVENUES

### 19.1 Revenues from sale of goods

	Currency: VND	
	Current year	Previous year
<b>Gross revenue</b>	<b>897,323,862,150</b>	<b>545,284,382,219</b>
<i>In which:</i>		
Sales of finished goods	892,064,583,059	538,200,145,309
Sales of scrap and tools	5,259,279,091	7,084,236,910
<b>Net revenue</b>	<b>897,323,862,150</b>	<b>545,284,382,219</b>
<i>In which:</i>		
Sales to other parties	17,474,577,618	40,318,556,087
Sales to related parties	879,849,284,532	504,965,826,132

### 19.2 Finance income

	Currency: VND	
	Current year	Previous year
Interest income	695,137,228	548,889,172
Foreign exchange gains	3,814,592,951	2,480,860,493
<b>TOTAL</b>	<b>4,509,730,179</b>	<b>3,029,749,665</b>

## 20. COST OF GOODS SOLD

	Currency: VND	
	Current year	Previous year
Cost of finished goods sold	681,775,412,029	425,531,299,992
Reversal of provision for obsolete inventories	(1,707,529,612)	(2,130,000,000)
<b>TOTAL</b>	<b>680,067,882,417</b>	<b>423,401,299,992</b>

## 21. FINANCE EXPENSES

	Currency: VND	
	Current year	Previous year
Loan interest	26,077,825,927	15,586,922,369
Foreign exchange losses	3,505,311,422	419,574,808
<b>TOTAL</b>	<b>29,583,137,349</b>	<b>16,006,497,177</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 22. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
<b>Selling expenses</b>		
Labor costs	1,473,291,384	912,072,377
Others	13,588,186,933	11,356,542,133
<b>TOTAL</b>	<b><u>15,061,478,317</u></b>	<b><u>12,268,614,510</u></b>
<b>General and administrative expenses</b>		
Labor costs	19,245,823,596	12,006,669,374
Expenses for external services	13,615,266,072	15,008,322,247
Depreciation and amortization	3,573,044,413	600,943,311
Others	2,495,362,414	1,062,374,476
<b>TOTAL</b>	<b><u>38,929,496,495</u></b>	<b><u>28,678,309,408</u></b>

## 23. PRODUCTION AND OPERATING COSTS

	<i>Currency: VND</i>	
	<i>Curent year</i>	<i>Previous year</i>
Materials	530,087,217,334	406,216,666,230
Labour costs	165,150,235,505	127,936,528,331
Depreciation and amortization	33,736,922,683	25,354,543,490
Expenses for external services	72,423,952,409	72,130,000,000
Other expenses	23,759,153,828	20,268,165,088
<b>TOTAL</b>	<b><u>825,157,481,759</u></b>	<b><u>651,905,903,139</u></b>

## 24. CORPORATE INCOME TAX

In accordance with the Investment Certificate No. 02 dated 24 March 2006 and the Official Letter No. 4000 dated 21 December 2016 issued by Thai Binh Industrial Zone Authority, the Company is subject to corporate income tax ("CIT") at the rate of 15% for 12 years from the date of commencement of its operations (which is the fiscal year ended 31 December 2007), and standard CIT rate in the following years. The Company is also entitled to an exemption from CIT for 3 years commencing from the first year in which a taxable profit is earned (which is the fiscal year ended 31 December 2009) and a 50% reduction of the applicable CIT tax rate for the following 7 years. Accordingly, the applicable CIT tax rate of the Company for the year 2018 is 7.5%.

The tax returns filed by the Company 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 financial statements could change at a later date upon final determination by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**24. CORPORATE INCOME TAX** (continued)

**24.1 CIT expenses**

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Current CIT expenses	10,130,080,188	5,293,296,108
Deferred tax (income)/expenses	(1,002,822,780)	426,000,000
<b>TOTAL</b>	<b><u>9,127,257,408</u></b>	<b><u>5,719,296,108</u></b>

The reconciliation between CIT expenses and the accounting profit multiplied by CIT rate is presented below:

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
<b>Accounting profit before tax</b>	<b>136,990,421,203</b>	<b>67,773,423,667</b>
At CIT rate of 20%	27,398,084,241	13,554,684,733
<b>Adjustments to increase:</b>		
Non-deductible expenses	618,285,708	560,771,554
Severance allowance	134,783,555	-
<b>Adjustments to decrease:</b>		
Unrealised gain in current year	(796,100,413)	-
Reversal of provision for obsolete inventory	(341,505,922)	-
Tax incentives	(16,883,466,981)	(8,822,160,179)
<b>CIT expense</b>	<b><u>10,130,080,188</u></b>	<b><u>5,293,296,108</u></b>

**24.2 Current tax**

The current tax payable is based on taxable profit for the current year. The taxable profit of the Company for the year differs from the profit as reported in the income statement 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's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

**24. CORPORATE INCOME TAX** (continued)

**24.3 Deferred tax**

The following are the deferred tax assets and deferred tax liabilities recognised by the Company, and the movements thereon, during the current and previous years.

	<i>Balance sheet</i>		<i>Income statement</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>
<b>Deferred tax asset</b>				
Provision for obsolete inventories	834,494,078	1,176,000,000	(341,505,922)	426,000,000
Provision for severance allowance	134,783,555	-	134,783,555	-
	<b>969,277,633</b>	<b>1,176,000,000</b>	<b>(206,722,367)</b>	<b>426,000,000</b>
<b>Deferred tax liabilities</b>				
Unrealized foreign exchange gain of cash and account receivables	(796,100,413)	-	(796,100,413)	-
	<b>(796,100,413)</b>	<b>-</b>	<b>(796,100,413)</b>	<b>-</b>
<b>Net deferred tax assets</b>	<b>173,177,220</b>	<b>1,176,000,000</b>		
<b>Net deferred tax (charge)/ credit to income statement</b>			<b>(1,002,822,780)</b>	<b>426,000,000</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 25. TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Company with related parties during the year ended 31 December 2018 and 31 December 2017 were as follows:

Related parties	Relationship	Transactions	Currency: VND	
			Current year	Previous year
Formosa Tools Co., Ltd	Investor	Sales of goods	85,453,797,464	-
		Purchase of goods	-	9,012,898,728
		Receiving capital contribution	-	20,105,940,000
		Loan payment	-	34,066,625,512
Golden Hype Co., Ltd	Common management	Repurchase of materials	344,405,257,104	407,107,994,610
		Sales of goods	1,071,112,357	3,027,650,937
		Purchase of goods	92,633,672,002	-
Joy Wish Inc	Common management	Sales of goods	569,083,163,746	467,337,585,534
Great Reward Co., Ltd	Related party	Sale of goods	176,201,212,034	-
Garden Pals Co., Ltd	Related party	Processing fee	6,897,368,000	8,727,906,000
		Warehouse rental fee	1,130,400,000	-
		Short-term loan	9,961,600,000	-
FT Ostermann GMBH Co., Ltd	Related party	Sale of goods	48,039,998,931	34,600,589,661
		Purchase of goods	1,610,356,647	2,455,809,399
Bach hoa Phuc Khanh Co., Ltd	Related party	Purchase of goods	646,843,184	281,687,922
Khai Phat Tin Co., Ltd	Dai Related party	Purchase of goods	10,224,694,146	1,027,925,152
		Short-term loan	23,300,000,000	-
Wisdom Company Limited	Related party	Purchase of goods	56,907,995,682	6,973,857,377

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 25. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related parties at the balance sheet dates were as follows:

Related parties	Relationship	Transactions	Currency: VND	
			Ending balance	Beginning balance
<b>Short-term trade receivables (Note 6.1)</b>				
Joy Wish Inc	Common management	Sale of goods	302,363,435,121	282,441,323,701
Great Reward Co., Ltd	Related party	Sale of goods	152,227,088,400	-
Formosa Tools Co., Ltd	Investor	Sale of goods	63,931,688,058	-
FT Ostermann GMBH Co., Ltd	Related party	Sale of goods	50,868,336,829	29,913,053,761
Eternal Luck Inc	Related party	Sale of goods	6,247,290,920	11,543,247,595
Golden Hype Co., Ltd	Common management	Sale of goods	-	4,826,286,553
			<b>575,637,839,328</b>	<b>328,723,911,610</b>
<b>Short-term trade payables (Note 13.1)</b>				
Golden Hype Co., Ltd	Common management	Material and machine purchasing	312,265,260,630	114,758,399,748
Wisdom Company Limited	Related party	Material and machine purchasing	42,778,171,658	6,973,054,169
Khai Phat Dai Tin Co., Ltd	Related party	Management and water fee and infrastructure rental	4,087,705,761	207,028,159
FT Ostermann GMBH Co., Ltd	Related party	Material and machine purchasing	839,163,114	2,455,357,021
Garden Pals Co., Ltd	Related party	Factory rental and processing fee	458,140,416	410,339,485
Bach hoa Phuc Khanh Co., Ltd	Related party	Purchase of goods	563,300,130	87,814,078
			<b>360,991,741,709</b>	<b>124,891,992,660</b>
<b>Advances from customers (Note 13.2)</b>				
Golden Hype Co., Ltd	Common management	Advance to purchase goods	920,101,088	-
Formosa Tools Co., Ltd	Investor	Advance to purchase goods	-	19,149,199,107
Great Reward Co., Ltd.	Related party	Advance to purchase goods	-	1,934,684,213
			<b>920,101,088</b>	<b>21,083,883,320</b>

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 25. TRANSACTIONS WITH RELATED PARTIES (continued)

			<i>Currency: VND</i>	
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Ending balance</i>	<i>Beginning balance</i>
<b>Short-term loans (Note 15.2)</b>				
Khai Phat Dai Tin Co., Ltd	Related party	Short-term loans	23,300,000,000	-
Fortune Industrial Park Development Company	Related party	Short-term loans	2,257,157,000	2,257,157,000
Garden Pals Co., Ltd	Related party	Short-term loans	9,961,600,000	-
			<b>35,518,757,000</b>	<b>2,257,157,000</b>

Remuneration to members of the Board of Directors and the management:

			<i>Currency: VND</i>	
			<i>Current year</i>	<i>Previous year</i>
Salaries and bonus			1,278,883,000	518,511,203
<b>TOTAL</b>			<b>1,278,883,000</b>	<b>518,511,203</b>

## 26. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

			<i>Currency: VND</i>	
			<i>Current year</i>	<i>Previous year</i>
Net profit after tax attributable to ordinary equity holders for basic earnings			125,857,518,235	62,906,127,559
Distribution to bonus and welfare fund			(3,775,725,547)	(1,887,183,827)
<b>Net profit attributable to ordinary equity holders adjusted for the effect of dilution</b>			<b>122,081,792,688</b>	<b>61,018,943,732</b>
Weighted average number of ordinary shares for basic earnings per share			26,807,835	16,942,090
Effect of dilution			-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>			<b>26,807,835</b>	<b>16,942,090</b>
<b>Basic earnings per share</b>				
- <i>Basic earnings</i>			4,554	3,602
- <i>Diluted earnings</i>			4,554	3,602

NOTES TO THE FINANCIAL STATEMENTS (continued)  
as at 31 December 2018 and for the year then ended

## 27. SEGMENT INFORMATION

The principal activities of the Company is manufacturing and trading of products of gardening accessories, metal products, machineries and tools, heat treatment and electroplating. Revenue from sale of rake, scissors, shovel, saw, hoe and pitchfork accounted for 92% of total revenue in the year. Besides, the production and business activities of the Company are mainly carried out in the territory of Vietnam. Therefore, the Company has only one business segment and one geographic segment. Accordingly, the Company does not disclose business segment and geographic segment.

## 28. COMMITMENTS AND CONTINGENCIES


### Operating lease commitment

As at the reporting date, the commitment payable in the future, up to the ending date of the investment project (year 2052), according to the land lease contracts, is presented as follows:

	Currency: VND	
	Ending balance	Beginning balance
Less than 1 year	608,875,181	9,467,343,815
From 1 to 5 years	2,435,500,723	2,409,809,510
More than 5 years	17,672,393,604	18,088,426,318
<b>TOTAL</b>	<b>20,716,769,508</b>	<b>29,965,579,643</b>

## 29. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Company.

  
\_\_\_\_\_  
Nguyen Thi Cam Van  
Preparer

  
\_\_\_\_\_  
Nguyen Thi Cam Van  
Chief Accountant

  
\_\_\_\_\_  
Hsu Ting Hsin  
Chief Executive Officer

27 March 2019