

# **Vietnam Fortress Tools Joint Stock Company**

Interim financial statements

For the six-month period ended 30 June 2019



# 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"), previously known as Vietnam Formosa Tools Limited 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>th</sup> amended Business Registration Certificate dated 31 May 2018 as the latest. The Company also received Investment Certificate No. 4304315420 issued by the Thai Binh Industrial Zone Authority on 14 July 2010 with the 10<sup>th</sup> amended Investment Certificate dated 11 March 2019 as the latest.

The Company has officially become a public interest entity since 21 June 2018, according to 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 machinery and tools;
- ▶ heat treatment, electroplating;
- ▶ manufacturing toys and games made of wood (except for wood processing, harmful toys to personality education, children's health 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 16, Daeha Business Center Building, 360 Kim Ma street, Ba Dinh district, Hanoi, Vietnam.

### BOARD OF DIRECTORS

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

Mr. Hsu Ting Hsin	Chairman	
Mr. Carl Ronald Gordon	Independent member	
Mr. Tsai Jeer – Shyong	Independent member	
Mr. Liang Tung Hsing	Member	
Mr. Tsai Chui Tien	Member	
Mr. Hsu Wei Chun	Member	Appointed on 26 April 2019
Mr. Tsai Hsien Hao	Independent member	Appointed on 26 April 2019

### BOARD OF SUPERVISION

Members of the Board of Supervision during the period 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 period 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. Mu Hong Tao	Deputy Chief Executive Officer	Appointed on 6 March 2019
Mr. Yiu Xi Fung	Deputy Chief Executive Officer	Appointed on 15 June 2019

### LEGAL REPRESENTATIVE

The legal representative of the Company during the period 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 interim financial statements for the six-month period ended 30 June 2019.

### MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE INTERIM FINANCIAL STATEMENTS

Management is responsible for the interim financial statements of each financial period which give a true and fair view of the interim financial position of the Company and of the interim results of its operations and its interim cash flows for the period. In preparing those interim 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 interim financial statements; and
- ▶ prepare interim 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 interim 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 interim financial statements.

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying interim financial statements give a true and fair view of the interim financial position of the Company as at 30 June 2019 and of the interim results of its operations and its interim cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and the presentation of the interim financial statements.

For and on behalf of management

CÔNG TY  
CỔ PHẦN  
CÔNG NGHIỆP NGŪ KIM  
FORTRESS  
VIỆT NAM

Hsu Ting Hsin  
Chief Executive Officer

Thai Binh, Vietnam

14 August 2019

Reference: 61382523/21041963-LR

## REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim financial statements of Vietnam Fortress Tools Joint Stock Company ("the Company") as prepared on 14 August 2019 and set out on pages 6 to 38, which comprise the interim balance sheet as at 30 June 2019, and the interim income statement and the interim cash flow statement for the six-month period then ended and the notes thereto.

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

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

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

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view, in all material respects, of the interim financial position of the Company as at 30 June 2019, and of the interim results of its operations and its interim cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of interim financial statements.

**Ernst & Young Vietnam Limited**

Le Duc Trung

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

Hanoi, Vietnam

14 August 2019

INTERIM BALANCE SHEET  
as at 30 June 2019

Currency: VND

Code	ASSETS	Notes	30 June 2019	31 December 2018
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>1,273,669,216,684</b>	<b>1,287,562,779,927</b>
<b>110</b>	<b>I. Cash</b>	<b>4</b>	<b>6,459,034,511</b>	<b>643,438,433</b>
111	1. Cash		6,459,034,511	643,438,433
<b>120</b>	<b>II. Short-term investments</b>	<b>5</b>	<b>11,320,950,000</b>	<b>10,650,000,000</b>
123	1. Held-to-maturity investments		11,320,950,000	10,650,000,000
<b>130</b>	<b>III. Current accounts receivable</b>		<b>590,766,638,979</b>	<b>594,911,426,945</b>
131	1. Short-term trade receivables	6.1	577,535,404,682	586,026,179,857
132	2. Short-term advances to suppliers	6.2	4,666,601,790	3,869,139,580
136	3. Other short-term receivables	7	8,564,632,507	5,016,107,508
<b>140</b>	<b>IV. Inventories</b>	<b>8</b>	<b>665,079,986,381</b>	<b>681,314,541,276</b>
141	1. Inventories		669,252,456,769	685,487,011,664
149	2. Provision for obsolete inventories		(4,172,470,388)	(4,172,470,388)
<b>150</b>	<b>V. Other current assets</b>		<b>42,606,813</b>	<b>43,373,273</b>
152	1. Value added tax deductible	15	42,606,813	43,373,273
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>379,363,399,775</b>	<b>392,375,768,584</b>
<b>220</b>	<b>I. Fixed assets</b>		<b>341,702,435,338</b>	<b>351,745,768,578</b>
221	1. Tangible fixed assets	9	341,625,306,880	351,657,592,122
222	Cost		543,460,456,398	533,618,279,282
223	Accumulated depreciation		(201,835,149,518)	(181,960,687,160)
227	2. Intangible fixed assets	10	77,128,458	88,176,456
228	Cost		527,779,593	527,779,593
229	Accumulated amortisation		(450,651,135)	(439,603,137)
<b>260</b>	<b>II. Other long-term assets</b>		<b>37,660,964,437</b>	<b>40,630,000,006</b>
261	1. Long-term prepaid expenses	11	37,161,537,700	40,456,822,786
262	2. Deferred tax assets	25.3	499,426,737	173,177,220
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,653,032,616,459</b>	<b>1,679,938,548,511</b>



INTERIM BALANCE SHEET (continued)  
as at 30 June 2019

Currency: VND

Code	RESOURCES	Notes	30 June 2019	31 December 2018
<b>300</b>	<b>C. LIABILITIES</b>		<b>942,320,526,264</b>	<b>1,008,318,025,367</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>912,839,967,279</b>	<b>948,973,440,311</b>
311	1. Short-term trade payables	12.1	421,265,707,109	511,014,607,984
312	2. Short-term advances from customers	12.2	4,371,826,264	9,287,471,556
313	3. Statutory obligations	13	12,152,325,813	10,700,538,639
314	4. Payables to employees		7,553,734,201	17,015,022,597
315	5. Short-term accrued expenses		956,171,285	1,562,442,839
319	6. Other short-term payables	14	9,722,432,181	3,342,192,639
320	7. Short-term loan	15	451,154,861,052	390,388,254,683
322	8. Bonus and welfare fund		5,662,909,374	5,662,909,374
<b>330</b>	<b>II. Non-current liabilities</b>		<b>29,480,558,985</b>	<b>59,344,585,056</b>
338	1. Long-term loan	15	28,806,641,210	58,670,667,281
342	2. Long-term provisions	16	673,917,775	673,917,775
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>710,712,090,195</b>	<b>671,620,523,144</b>
<b>410</b>	<b>I. Capital</b>	<b>17</b>	<b>710,712,090,195</b>	<b>671,620,523,144</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	148,621,259,858
418	3. Investment and development fund		9,438,182,290	9,438,182,290
421	4. Undistributed earnings		284,574,298,047	245,482,730,996
421a	- Undistributed earnings by the end of prior year		245,482,730,996	129,693,814,220
421b	- Undistributed earnings of current period		39,091,567,051	115,788,916,776
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,653,032,616,459</b>	<b>1,679,938,548,511</b>

  
Nguyen Thi Cam Van  
Preparer

  
Nguyen Thi Cam Van  
Chief Accountant

  
Hsu Ting Hsin  
Chief Executive Officer

14 August 2019

INTERIM INCOME STATEMENT  
for the six-month period ended 30 June 2019

Currency: VND

Code	ITEMS	Notes	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018 (restated)
01	1. Revenue from sale of goods	19	413,954,672,709	481,909,251,208
02	2. Deductions	19	-	-
10	3. Net revenue from sale of goods	19	413,954,672,709	481,909,251,208
11	4. Cost of goods sold	20	(325,427,018,438)	(388,071,755,739)
20	5. Gross profit from sale of goods		88,527,654,271	93,837,495,469
21	6. Finance income		891,511,337	424,801,501
22	7. Finance expenses	21	(12,062,582,024)	(11,986,400,811)
23	- In which: Interest expenses		(11,772,128,891)	(10,551,682,760)
25	8. Selling expenses	22	(7,406,316,770)	(8,573,464,679)
26	9. General and administrative expenses	22	(19,906,251,389)	(17,074,318,559)
30	10. Operating profit		50,044,015,425	56,628,112,921
31	11. Other income		-	-
32	12. Other expenses	23	(1,739,817,930)	(486,670,680)
40	13. Other loss		(1,739,817,930)	(486,670,680)
50	14. Accounting profit before tax		48,304,197,495	56,141,442,241
51	15. Current corporate income tax expense	25.1	(9,538,879,961)	(3,917,709,896)
52	16. Deferred tax income/(expense)	25.3	326,249,517	(819,860,794)
60	17. Net profit after tax		39,091,567,051	51,403,871,551
70	18. Basic earnings per share	27	1,458	1,860
71	19. Diluted earnings per share	27	1,458	1,860

  
Nguyen Thi Cam Van  
Preparer

  
Nguyen Thi Cam Van  
Chief Accountant

  
Hsu Ting Hsin  
Chief Executive Officer

14 August 2019

INTERIM CASH FLOW STATEMENT  
for the six-month period ended 30 June 2019


Currency: VND

Code	ITEMS	Notes	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Profit before tax</b>		<b>48,304,197,495</b>	<b>56,141,442,241</b>
	<i>Adjustments for:</i>			
02	Depreciation of tangible fixed assets and amortisation of intangible fixed assets	9,10	19,925,112,156	14,567,654,844
03	Reversal of provisions		-	(531,341,014)
04	Foreign exchange (gains)/losses arising from revaluation of monetary accounts denominated in foreign currency		(473,347,456)	295,501,914
05	Profits from investing activities		(335,867,737)	(408,633,146)
06	Interest expenses	21	11,772,128,891	10,551,682,760
08	<b>Operating profit before changes in working capital</b>		<b>79,192,223,349</b>	<b>80,616,307,599</b>
09	Decrease/(increase) in receivables		6,372,939,038	(180,363,220,861)
10	Decrease in inventories		16,234,554,895	61,663,278,133
11	(Decrease)/increase in payables		(95,145,746,573)	29,066,156,421
12	Decrease/(increase) in prepaid expenses		3,295,285,086	(14,785,880,153)
14	Interest paid		(12,178,622,603)	(10,551,682,760)
15	Corporate income tax paid	13	(8,104,064,148)	(7,557,094,763)
20	<b>Net cash flows used in operating activities</b>		<b>(10,333,430,956)</b>	<b>(41,912,136,384)</b>
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase and construction of fixed assets and other long-term assets		(14,109,830,000)	(9,687,807,299)
23	Loans to other entities		-	(650,000,000)
27	Interest received		392,738	408,633,146
30	<b>Net cash flows used in investing activities</b>		<b>(14,109,437,262)</b>	<b>(9,929,174,153)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
32	Capital redemption		-	(14,692,822)
33	Drawdown of borrowings		376,350,867,134	280,039,229,235
34	Repayment of borrowings		(345,878,797,707)	(239,409,055,325)
40	<b>Net cash flows from financing activities</b>		<b>30,472,069,427</b>	<b>40,615,481,088</b>

INTERIM CASH FLOW STATEMENT (continued)  
for the six-month period ended 30 June 2019

Currency: VND

Code	ITEMS	Notes	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
50	Net increase/(decrease) in cash for the period		6,029,201,209	(11,225,829,449)
60	Cash at the beginning of the period		643,438,433	12,537,972,599
61	Impact of exchange rate fluctuation		(213,605,131)	67,167,305
70	Cash at the end of the period	4	6,459,034,511	1,379,310,455



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Nguyen Thi Cam Van  
Preparer



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Nguyen Thi Cam Van  
Chief Accountant



14 August 2019

NOTES TO THE INTERIM FINANCIAL STATEMENTS  
as at 30 June 2019 and for the six-month period then ended

## 1. CORPORATE INFORMATION

Vietnam Fortress Tools Joint Stock Company (“the Company”), previously known as Vietnam Formosa Tools Limited 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>th</sup> amended Business Registration Certificate dated 31 May 2018 as the latest. The company also received Investment Certificate No. 4304315420 issued by the Thai Binh Industrial Zone Authority on 14 July 2010 with the 10<sup>th</sup> amended Investment Certificate dated 11 March 2019 as the latest.

The Company has officially become a public interest entity since 21 June 2018, according to 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 machinery and tools; and
- ▶ manufacturing toys and games made of wood (except for wood processing, harmful toys to personality education, children’s health 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 offices located at Floor 16, Daeha Business Center Building, 360 Kim Ma street, Ba Dinh district, Hanoi, Vietnam.

The number of the Company’s employees as at 30 June 2019 is 1,766 (31 December 2018: 1,999).

## 2. BASIS OF PREPARATION

### 2.1 *Accounting standards and system*

The interim financial statements of the Company (“the Company”), which are expressed in Vietnam dong (“VND”), are prepared in accordance with Vietnamese Enterprise Accounting System and Vietnamese Accounting Standard No. 27 - Interim Financial Reporting and other 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 INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 2. BASIS OF PREPARATION (continued)

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

Accordingly, the accompanying interim 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 the 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 interim financial statements are prepared in VND which is also the Company's accounting currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018 and the interim financial statement for the six-month period ended 30 June 2018.

### 3.1 *Cash*

Cash comprise cash on hand and cash at 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, merchandise, 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

#### 3.2 *Inventories* (continued)

##### *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 interim balance sheet.

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

#### 3.3 *Receivables*

Receivables are presented in the interim 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 expense in the interim 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 of 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 interim 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 interim 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 of 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 interim 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 interim income statement.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

#### 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.

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

#### 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 - 15 years
Means of transportation	7 - 10 years
Office equipment	3 - 5 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 period in which they are incurred, except to the extent that they are capitalized 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 capitalized 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 interim 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 Phuc Khanh 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 interim 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.



NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

#### 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 interim income statement 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.

#### 3.12 *Accrual for severance pay*

The severance pay to employee is accrued at the end of each reporting period 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, the Law on Social Insurance 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. Increase or decrease to the accrued amount other than actual payment to employee will be taken to the interim 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 period, monetary balances denominated in foreign currencies are translated at the actual exchange rates at the interim balance sheet dates which are determined as follows:

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

#### 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 General 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 operation or of in-depth investments.

##### *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 interim 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 periods 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 interim balance sheet date.

Current income tax is charged or credited to the interim 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

#### 3.16 *Taxation* (continued)

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the interim balance sheet date between the tax base of assets and liabilities and their carrying amount for interim 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; and
- ▶ in respect of taxable temporarily differences associated with investments in associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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; and
- ▶ in respect of deductible temporarily differences associated with investments in associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each interim 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 interim 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 period when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the interim balance sheet date.

Deferred tax is charged or credited to the interim 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 period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

#### 3.17 Earnings per share

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

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 period 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.

#### 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>30 June 2019</i>	<i>31 December 2018</i>
Cash on hand	198,590,362	228,269,091
Cash at bank	6,260,444,149	415,169,342
<b>TOTAL</b>	<b>6,459,034,511</b>	<b>643,438,433</b>

### 5. HELD-TO-MATURITY INVESTMENTS

	<i>Currency: VND</i>			
	<i>30 June 2019</i>		<i>31 December 2018</i>	
	<i>Cost</i>	<i>Carrying value</i>	<i>Cost</i>	<i>Carrying value</i>
Term deposit	11,320,950,000	11,320,950,000	10,650,000,000	10,650,000,000
<b>TOTAL</b>	<b>11,320,950,000</b>	<b>11,320,950,000</b>	<b>10,650,000,000</b>	<b>10,650,000,000</b>

Term deposit as at 30 June 2019 represents a deposit at Military Commercial Joint Stock Bank – Thai Binh Branch with term of 12 months and earns interest at 6.8% per annum.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

### 6.1 Short-term trade receivables

	Currency: VND	
	30 June 2019	31 December 2018
Short term trade receivables	37,575,359,714	10,388,340,529
- LIDL HONG KONG Co., Ltd	12,401,666,318	-
- XHL LTD Co., Ltd	10,370,985,530	10,370,985,530
- DVIZE BV Co., Ltd	6,748,217,716	-
- BOND Manufacturing Inc	5,571,153,168	-
- Trade receivables from other customers	2,483,336,982	17,354,999
Trade receivables from related parties (Note 26)	539,960,044,968	575,637,839,328
<b>TOTAL</b>	<b>577,535,404,682</b>	<b>586,026,179,857</b>

### 6.2 Short-term advances to suppliers

	Currency: VND	
	30 June 2019	31 December 2018
Heng Leong Investment Development JSC	1,750,000,000	1,750,000,000
Thanh An Technology JSC	300,000,000	-
QT International Trading JSC	257,935,500	-
Regus Center Company Limited (Vietnam)	146,411,765	-
Others	2,212,254,525	2,119,139,580
<b>TOTAL</b>	<b>4,666,601,790</b>	<b>3,869,139,580</b>

## 7. OTHER SHORT-TERM RECEIVABLES

	Currency: VND	
	30 June 2019	31 December 2018
Value added tax	6,400,000,000	2,516,000,000
Import tax waiting for refund	1,384,632,507	1,384,632,507
An Viet Audit Company Limited	780,000,000	780,000,000
Interest from bank deposit	-	335,475,001
<b>TOTAL</b>	<b>8,564,632,507</b>	<b>5,016,107,508</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**8. INVENTORIES**

Currency: VND

	30 June 2019		31 December 2018	
	Cost	Provision	Cost	Provision
Goods in transit	4,516,886,285	-	18,311,501,098	-
Raw materials	77,010,838,837	-	105,544,959,456	-
Tools and supplies	3,174,179,227	-	8,985,299,705	-
Work in process	508,130,770,507	(4,172,470,388)	405,144,455,395	(4,172,470,388)
Finished goods	76,419,781,913	-	144,944,638,854	-
Goods on consignment	-	-	2,556,157,156	-
<b>TOTAL</b>	<b>669,252,456,769</b>	<b>(4,172,470,388)</b>	<b>685,487,011,664</b>	<b>(4,172,470,388)</b>

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

Currency: VND

	For the six-month period ended 30 June 2019	For the six-month period ended 30 June 2018
Beginning balance	4,172,470,388	5,880,000,000
Add: Provision made during the period	-	-
Less: Reversal of provision during the period	-	(1,205,258,789)
<b>Ending balance</b>	<b>4,172,470,388</b>	<b>4,674,741,211</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 9. TANGIBLE FIXED ASSETS

Currency: VND

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Total
<b>Cost:</b>					
As at 31 December 2018	156,758,852,511	371,073,347,921	5,162,714,305	623,364,545	533,618,279,282
- New purchase	-	9,881,778,916	-	-	9,881,778,916
- Other decrease	-	(39,601,800)	-	-	(39,601,800)
As at 30 June 2019	156,758,852,511	380,915,525,037	5,162,714,305	623,364,545	543,460,456,398
<i>In which:</i>					
<i>Fully depreciated</i>	124,815,370	98,943,375,688	2,105,163,525	623,364,545	101,796,719,128
<b>Accumulated depreciation:</b>					
As at 31 December 2018	17,090,707,485	159,669,919,787	4,576,695,343	623,364,545	181,960,687,160
- Depreciation for the period	4,015,916,239	15,680,268,539	217,879,380	-	19,914,064,158
- Other decrease	-	(39,601,800)	-	-	(39,601,800)
As at 30 June 2019	21,106,623,724	175,310,586,526	4,794,574,723	623,364,545	201,835,149,518
<b>Net carrying amount:</b>					
As at 31 December 2018	139,668,145,026	211,403,428,134	586,018,962	-	351,657,592,122
As at 30 June 2019	135,652,228,787	205,604,938,511	368,139,582	-	341,625,306,880

Company used some tangible fixed assets for loan security purpose. Details of loan security are stated at Note 15.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**10. INTANGIBLE FIXED ASSETS**

	<i>Currency: VND</i>	
	<i>Computer software</i>	
<b>Cost:</b>		
As at 31 December 2018		<u>527,779,593</u>
As at 30 June 2019		<u>527,779,593</u>
<b>Accumulated amortisation:</b>		
As at 31 December 2018		439,603,137
- Amortisation for the period		<u>11,047,998</u>
As at 30 June 2019		<u>450,651,135</u>
<b>Net carrying amount:</b>		
As at 31 December 2018		<u>88,176,456</u>
As at 30 June 2019		<u>77,128,458</u>

**11. LONG-TERM PREPAID EXPENSES**

	<i>Currency: VND</i>	
	<i>30 June 2019</i>	<i>31 December 2018</i>
Prepaid land and infrastructure rental	24,902,969,125	25,273,346,359
Tools and supplies	10,840,875,629	13,691,168,064
Others	<u>1,417,692,946</u>	<u>1,492,308,363</u>
<b>TOTAL</b>	<b><u>37,161,537,700</u></b>	<b><u>40,456,822,786</u></b>



NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

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

### 12.1 Short-term trade payables

Currency: VND

	30 June 2019		31 December 2018	
	Balance	Payable amount	Balance	Payable amount
Trade payables to suppliers	161,913,240,203	161,913,240,203	150,022,866,275	150,022,866,275
- Hsin Yue Hsing Co., Ltd	29,823,578,966	29,823,578,966	22,597,694,434	22,597,694,434
- An Thinh Import and Export JSC	18,651,420,771	18,651,420,771	18,045,283,761	18,045,283,761
- Trade payables to other suppliers	113,438,240,466	113,438,240,466	109,379,888,080	109,379,888,080
Trade payables to related parties (Note 26)	259,352,466,906	259,352,466,906	360,991,741,709	360,991,741,709
<b>TOTAL</b>	<b>421,265,707,109</b>	<b>421,265,707,109</b>	<b>511,014,607,984</b>	<b>511,014,607,984</b>

### 12.2 Short-term advances from customers

Currency: VND

	30 June 2019		31 December 2018	
Advances to suppliers				
- SNOW JOE LLC Co., Ltd		2,335,000,000		-
- DAISHIN Co., Ltd		661,878,659		661,878,659
- HL Corporation Co., Ltd		376,055,840		376,055,840
- Bond Manufacturing Inc		-		7,250,668,572
- Advance from other customers		78,790,677		78,767,397
Advance from related parties (Note 26)		920,101,088		920,101,088
<b>TOTAL</b>		<b>4,371,826,264</b>		<b>9,287,471,556</b>

## 13. STATUTORY OBLIGATIONS

Currency: VND

	31 December 2018		Payment made during the period		30 June 2019
		Payable for the period			
<b>Payables</b>					
Import/export duties	344,882,607	253,339,736	273,295,011		324,927,332
Corporate income tax	10,037,678,019	9,538,879,961	8,104,064,148		11,472,493,832
Personal income tax	317,978,013	564,076,459	527,149,823		354,904,649
<b>TOTAL</b>	<b>10,700,538,639</b>	<b>10,356,296,156</b>	<b>8,904,508,982</b>		<b>12,152,325,813</b>

Currency: VND

	31 December 2018		Decrease during the period		30 June 2019
		Receivable in the period			
<b>Receivables</b>					
Value added tax	43,373,273	10,388,678,970	10,389,445,430		42,606,813
<b>TOTAL</b>	<b>43,373,273</b>	<b>10,388,678,970</b>	<b>10,389,445,430</b>		<b>42,606,813</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**14. OTHER SHORT-TERM PAYABLES**

	<i>Currency: VND</i>	
	<i>30 June 2019</i>	<i>31 December 2018</i>
Social insurance, health insurance and unemployment insurance	8,182,629,982	1,490,118,929
Trade union	860,328,854	435,128,854
Other payables	679,473,345	1,416,944,856
<b>TOTAL</b>	<b>9,722,432,181</b>	<b>3,342,192,639</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 15. LOANS

	31 December 2018		Movement during the year		Foreign exchange difference	30 June 2019		Currency: VND
	Balance	Payable amount	Increase	Decrease		Balance	Payable amount	
<b>Short-term</b>								
Loans from banks (Note 15.1)	324,341,377,606	324,341,377,606	371,660,867,134	(328,565,197,919)	238,163,952	367,675,210,773	367,675,210,773	
Loans from related parties (Note 15.2)	35,518,757,000	35,518,757,000	4,690,000,000	(2,050,000,000)	-	38,158,757,000	38,158,757,000	
Current portion of long term loans from bank (Note 15.3)	30,528,120,077	30,528,120,077	29,991,866,345	(15,263,599,788)	64,506,645	45,320,893,279	45,320,893,279	
<b>TOTAL</b>	<b>390,388,254,683</b>	<b>390,388,254,683</b>	<b>406,342,733,479</b>	<b>(345,878,797,707)</b>	<b>302,670,597</b>	<b>451,154,861,052</b>	<b>451,154,861,052</b>	
<b>Long-term</b>								
Loans from banks (Note 15.3)	58,670,667,281	58,670,667,281	-	(29,991,866,345)	127,840,274	28,806,641,210	28,806,641,210	
<b>TOTAL</b>	<b>58,670,667,281</b>	<b>58,670,667,281</b>	<b>-</b>	<b>(29,991,866,345)</b>	<b>127,840,274</b>	<b>28,806,641,210</b>	<b>28,806,641,210</b>	

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**15. LOANS (continued)****15.1 Short-term loans from banks**

Banks	Contract's No	30 June 2019		Principal and interest repayment term	Interest rate per annum	Description of collateral
		Ending balance (VND)	Original currency (USD)			
Technological and Commercial Joint Stock Bank –Thai Binh Branch	THB2015123/HDC TD and THB2015123/HDC TD/PL04	145,601,247,623	6,235,599	Interest is payable monthly at the end of each month. Principle is payable from 11 July 2019 to 21 August 2019 according to each agreement.	5.39%-5.67%	All movables, real estate of the Company with amount of VND 60,747,143,464 under Property Mortgage Contract No. TBH20150221/HDTC and debt claims and all receivables with amount of VND 244,088,627,284 under Property Mortgage Contract No. TBH2015152/HDTC.
Military Commercial Joint Stock Bank – Thai Binh Branch	16295.17.755.2363518.TD	35,115,123,400	1,501,930	Interest is payable monthly on 25 <sup>th</sup> . Principle is payable from 25 July 2019 to 28 November 2019 according to each agreement.	3.8%	The real estates of Garden Pals Co., Ltd with the value of VND 21,636,068,270 and deposit with amount of VND 2,160,000,000 of Khai Phat Dai Tin Co., Ltd
Tien Phong Bank Joint Stock Bank	1008.19.755.2363518TD	109,076,666,464	4,665,384	Interest is payable monthly on 25 <sup>th</sup> . Principle is payable from 22 August 2019 to 23 October 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 126,680,538,000 under Property Mortgage Contract No. 3046.17.755.2363518.BD.
	459/2018/HDTD/HNI/01	77,882,173,286	3,332,571	Interest is payable monthly on 26 <sup>th</sup> . Principle is payable from 7 October 2019 to 27 March 2020 according to each agreement.	4.40%	Deposit term 12 months with value of VND 11 billion and deposit with term 3 months by Mr. Hsu Ting Hsin with the amount of VND 31,327,000,000 at MB Bank - Thai Binh Branch. Short-term loan mortgage by assets of Bach Hoa Phuc Khanh Co., Ltd with amount of VND 37,758,600,000, 3-month deposit of Ms Nguyen Bich Hong with amount of VND 24,801,991,376 and deposit with amount of VND 23,000,000,000 of Khai Phat Dai Tin Co., Ltd.
<b>TOTAL</b>		<b>367,675,210,773</b>	<b>15,735,484</b>			

# Vietnam Fortress Tools Joint Stock Company

B09a-DN

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 15. LOANS AND FINANCE LEASES (continued)

### 15.2 Short-term loans from related parties

	30 June 2019 (VND)	Principal and interest repayment term	Interest rate per annum	Description of collateral
Fortune Industrial Park Development Company Limited	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).	3.50%	None
Khai Phat Dai Tin Co., Ltd	13,300,000,000	Principle and interest are payable on 24 October 2019.	6.0%	None
Garden Pals Co., Ltd	10,000,000,000	Principle and interest are payable on 31 October 2019.	6.0%	None
Ms. Duong Thi Thom (member of management)	9,961,600,000	Principle and interest are payable on 1 December 2019.	6.0%	None
	2,640,000,000	Principle and interest are payable on 10 April 2020.	7.50%	None
<b>TOTAL</b>	<b>38,158,757,000</b>			

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 15. LOANS AND FINANCE LEASES (continued)

### 15.3 Long-term loans from banks

Bank	Contract's No	30 June 2019		Principal and interest repayment term	Interest rate per annum	Description of collateral
		Ending balance (VND)	Original currency (USD)			
Technological and Commercial Joint Stock Bank –Thai Binh Branch	TBH20150436/HD TD	10,437,187,443	-	Interest is payable monthly at the end of each month. Principle is payable every 3 months from 20 January 2020 to 11 March 2021.	10.54%	Factory, machinery and equipment formed from loan (of Workshop 3) with estimated value of VND 39,370,725,726.
Military Commercial Joint Stock Bank –Thai Binh Branch	2893.17.755.2363 518.TD and 2893.17.755.2363 518.TD.PL1	30,299,001,819	-	Interest is payable monthly on the 25 <sup>th</sup> . Principal is payable in 16 quarterly instalments 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: - Buildings and construction on land; and - Machines and equipment.
	2893.17.755.2363 518.TD and 2893.17.755.2363 518.TD.PL1	33,391,345,227	1,428,201	Interest is payable monthly on the 25 <sup>th</sup> . Principal is payable in 16 quarterly instalments on the 25 <sup>th</sup> at the end of the quarter from 25 February 2019.	10.5%-11%	With the amount of VND 60,139,200,000 under Property Mortgage Contract No. 3046.17.755.2363518.BD.
<b>TOTAL</b>		<b>74,127,534,489</b>				

In which:

Current portion	45,320,893,279
Long-term portion	28,806,641,210

## 16. LONG-TERM PROVISION

Long-term provision represents the provision for severance pay to employees as at 30 June 2019 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period 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>For the period six-month ended 30 June 2018</b>					
As at 31 December 2017	268,078,350,000	148,635,952,680	3,145,306,378	129,693,814,220	549,553,423,278
- Net profit for the period	-	-	-	51,403,871,551	51,403,871,551
- Other decreases	-	(14,692,822)	-	-	(14,692,822)
<b>As at 30 June 2018</b>	<b>268,078,350,000</b>	<b>148,621,259,858</b>	<b>3,145,306,378</b>	<b>181,097,685,771</b>	<b>600,942,602,007</b>
<b>For the period six-month ended 30 June 2019</b>					
As at 31 December 2018	268,078,350,000	148,621,259,858	9,438,182,290	245,482,730,996	671,620,523,144
- Net profit for the period	-	-	-	39,091,567,051	39,091,567,051
<b>As at 30 June 2019</b>	<b>268,078,350,000</b>	<b>148,621,259,858</b>	<b>9,438,182,290</b>	<b>284,574,298,047</b>	<b>710,712,090,195</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**17. OWNERS' EQUITY (continued)****17.2 Share capital**

Details of charter shares are as follows:

Currency: VND

	30 June 2019			31 December 2018		
	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	-	148,621,259,858	148,621,259,858	-
<b>TOTAL</b>	<b>416,699,609,858</b>	<b>416,699,609,858</b>	<b>-</b>	<b>416,699,609,858</b>	<b>416,699,609,858</b>	<b>-</b>

Details of contributed capital are as follows:

	30 June 2019		31 December 2018	
	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	49,169,000,000	4,916,900
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	34,030,000,000	3,403,000
Other shareholders	58,199,540,000	5,819,954	58,199,540,000	5,819,954
<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**

	30 June 2019		31 December 2018	
	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>
<i>Ordinary shares</i>	<i>26,807,835</i>	<i>268,078,350,000</i>	<i>26,807,835</i>	<i>268,078,350,000</i>
<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>
<i>Ordinary shares</i>	<i>26,807,835</i>	<i>268,078,350,000</i>	<i>26,807,835</i>	<i>268,078,350,000</i>

The par value of share in circulation during the period is VND 10,000/share (2018: VND 10,000/share).

**18. OFF BALANCE SHEET ITEMS**

	30 June 2019	31 December 2018
Foreign currency		
- USD	252,137	2,018
- EUR	264	270



NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**19. REVENUES FROM SALE OF GOODS**

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
<b>Gross revenue</b>	<b>413,954,672,709</b>	<b>481,909,251,208</b>
<i>In which:</i>		
<i>Sales of finished goods</i>	411,721,961,801	478,928,376,662
<i>Sales of scrap</i>	2,232,710,908	2,980,874,546
<b>Net revenue</b>	<b>413,954,672,709</b>	<b>481,909,251,208</b>
<i>In which:</i>		
<i>Sales to other parties</i>	67,866,762,619	11,150,327,705
<i>Sales to related parties</i>	346,087,910,090	470,758,923,503

**20. COST OF GOODS SOLD**

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Cost of finished goods sold	325,427,018,438	389,277,014,528
Reversal of provision for obsolete inventories	-	(1,205,258,789)
<b>TOTAL</b>	<b>325,427,018,438</b>	<b>388,071,755,739</b>

**21. FINANCE EXPENSES**

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Loan interest	11,772,128,891	10,551,682,760
Foreign exchange losses	290,453,133	1,434,718,051
<b>TOTAL</b>	<b>12,062,582,024</b>	<b>11,986,400,811</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 22. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
<b>Selling expenses</b>		
Transportation expenses	6,381,519,504	7,822,806,111
Labor costs	753,805,030	694,438,953
Others	270,992,236	56,219,615
<b>TOTAL</b>	<b>7,406,316,770</b>	<b>8,573,464,679</b>
<b>General and administrative expenses</b>		
Labor costs	10,842,424,304	8,400,155,203
Expenses for external services	6,073,134,025	6,785,080,427
Depreciation and amortization	932,518,333	506,991,029
Others	2,058,174,727	1,382,091,900
<b>TOTAL</b>	<b>19,906,251,389</b>	<b>17,074,318,559</b>

## 23. OTHER EXPENSES

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
<b>Other expenses</b>		
Remuneration	844,868,836	173,834,924
Fine expenses	654,988,856	289,714,618
Other expenses	239,960,238	23,121,138
<b>NET OTHER LOSS</b>	<b>1,739,817,930</b>	<b>486,670,680</b>

## 24. PRODUCTION AND OPERATING COSTS

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Materials	226,701,852,323	227,633,354,305
Labour costs	91,693,577,701	69,627,308,875
Depreciation and amortization	19,925,112,156	14,567,654,844
Expenses for external services	43,985,189,705	48,852,205,740
Other expenses	2,339,155,727	1,774,838,578
<b>TOTAL</b>	<b>384,644,887,612</b>	<b>362,455,362,342</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

## 25. CORPORATE INCOME TAX

In accordance with the Investment Certificate No. 2 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 normal 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 2019 is 20%.

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.

### 25.1 CIT expenses

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Current CIT expense	9,538,879,961	3,917,709,896
Deferred tax (income)/expense	<u>(326,249,517)</u>	<u>819,860,794</u>
<b>TOTAL</b>	<b><u>9,212,630,444</u></b>	<b><u>4,737,570,690</u></b>

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

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
<b>Accounting profit before tax</b>	<b>48,304,197,495</b>	<b>56,141,442,241</b>
At CIT rate of 20% applicable to the Company	9,660,839,499	11,228,288,448
<b>Adjustments to increase:</b>		
Severance allowance	-	134,783,555
Expenses not eligible for CIT deduction	347,891,358	97,334,136
<b>Adjustments to decrease:</b>		
Unrealised foreign exchange gain of cash and account receivables in current year	(469,850,896)	(713,592,591)
Reversal of provision for obsolete inventory	-	(241,051,758)
Reversal of unrealised foreign exchange loss of cash and account receivables in previous year	-	(58,535,400)
CIT incentives	-	(6,529,516,494)
<b>CIT expense</b>	<b><u>9,538,879,961</u></b>	<b><u>3,917,709,896</u></b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**25. CORPORATE INCOME TAX (continued)****25.2 Current tax**

The current tax payable is based on taxable profit for the current period. The taxable profit of the Company for the period 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 periods 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.

**25.3 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 periods.

Currency: VND

	<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><i>Deferred tax asset</i></b>				
Provision for obsolete inventories	834,494,078	834,494,078	-	(241,051,758)
Provision for severance allowance	134,783,555	134,783,555	-	134,783,555
	<u>969,277,633</u>	<u>969,277,633</u>	<u>-</u>	<u>(106,268,203)</u>
<b><i>Deferred tax liabilities</i></b>				
Unrealized foreign exchange gain of cash and account receivables	(469,850,896)	(796,100,413)	326,249,517	(713,592,591)
<b>Net deferred tax assets</b>	<u><b>499,426,737</b></u>	<u><b>173,177,220</b></u>		
<b><i>Net deferred tax credit/(charge) to interim income statement</i></b>			<u><b>326,249,517</b></u>	<u><b>(819,860,794)</b></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**26. TRANSACTIONS WITH RELATED PARTIES**

Significant transactions of the Company with related parties during the six-month periods ended 30 June 2019 and 30 June 2018 were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Currency: VND</i>	
			<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Joy Wish Inc	Related party	Sales of goods	308,698,580,655	305,686,699,817
Golden Hype Co., Ltd	Related party	Purchase of materials	124,826,938,435	119,269,869,302
		Purchase of fixed assets	9,251,620,878	12,715,490,968
		Purchase of tools and supplies	2,409,274,976	42,749,779,775
FT OSTERMANN GMBH	Related party	Sales of goods	37,389,329,435	26,956,978,762
Ms. Duong Thi Thom	Management	Short-term Loan	4,690,000,000	85,000,000
		Loan principal	2,050,000,000	-
Garden Pals Co., Ltd	Related party	Purchase goods	823,653,367	3,651,780,000
		Interest	294,754,192	-
		Warehouse rental fee	188,000,000	905,400,000
Khai Phat Dai Tin Co., Ltd	Investor	Purchase service	687,823,002	599,575,631
		Interest	245,112,329	-
		Land rental fee	106,871,728	8,968,959,020
GREAT REWARD CO., LTD	Related party	Sale of goods	-	52,661,447,460
Wisdom Elite Inc Co., Ltd	Related party	Purchase goods	-	20,261,595,324
Bach Hoa Phuc Khanh Co., Ltd	Related party	Purchase goods, service	300,713,710	155,717,594
Formosa JSC	Investor	Sales of goods	-	85,453,797,464

*The terms and conditions of transactions with related parties*

The sales and purchases transactions with related parties shall comply with the prices and the terms prevailing in the market.

Outstanding balances at 30 June 2019 are unsecured, interest free and will be settled in cash. For the six-month period ended 30 June 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2018: 0). This assessment is undertaken each financial year through the examination of the financial position of the related party and the market in which the related party operates.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**26. 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	
			30 June 2019	31 December 2018
<b>Short-term trade receivables (Note 6.1)</b>				
Joy Wish Inc	Related party	Sale of goods	356,920,343,874	302,363,435,121
GREAT REWARD CO., LTD	Related party	Sale of goods	141,479,551,503	152,227,088,400
FT OSTERMANN GMBH	Related party	Sale of goods	41,054,908,961	50,868,336,829
Formosa Tools Co., Ltd	Investor	Sale of goods	505,240,630	63,931,688,058
ETERNAL LUCK INC	Related party	Sale of goods	-	6,247,290,920
			<b>539,960,044,968</b>	<b>575,637,839,328</b>
<b>Short-term trade payables (Note 12.1)</b>				
Golden Hype Co., Ltd	Related party	Material and machine purchasing	237,676,410,547	312,265,260,630
Wisdom Elite Inc Co., Ltd	Related party	Purchase materials and machinery	14,667,668,963	42,778,171,658
Khai Phat Dai Tin Co., Ltd	Investor	Wastewater treatment	4,135,465,327	4,087,705,761
Garden Pals Co., Ltd	Related party	Renting factories and processing fees	1,159,124,032	458,140,416
Phuc Khanh Co., Ltd	Related party	Renting factories	869,761,314	563,300,130
FT OSTERMANN GMBH	Related party	Purchase materials and machinery	844,036,723	839,163,114
			<b>259,352,466,906</b>	<b>360,991,741,709</b>
<b>Short-term advance from customer (Note 12.2)</b>				
Golden Hype Co., Ltd	Related party	Advance to purchase goods	920,101,088	920,101,088
			<b>920,101,088</b>	<b>920,101,088</b>
<b>Short-term loans (Note 15.2)</b>				
Khai Phat Dai Tin Co., Ltd	Investor	Short-term loans	23,300,000,000	23,300,000,000
Ms. Duong Thi Thom	Management	Short-term loans	2,640,000,000	-
Fortune Industrial Park Development Co., Ltd	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	9,961,600,000
			<b>38,158,757,000</b>	<b>35,518,757,000</b>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended

**26. TRANSACTIONS WITH RELATED PARTIES (continued)**

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

	<i>Currency: VND</i>	
	<i>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018</i>
Salaries and bonus	645,518,710	485,593,600
<b>TOTAL</b>	<b>645,518,710</b>	<b>485,593,600</b>

**27. EARNINGS PER SHARE**

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

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 period 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>For the six-month period ended 30 June 2019</i>	<i>For the six-month period ended 30 June 2018 (restated)</i>
Net profit after tax attributable to ordinary equity holders for basic earnings	39,091,567,051	51,403,871,551
Adjustments (*)	-	(1,542,116,147)
<b>Net profit attributable to ordinary equity holders adjusted for the effect of dilution</b>	<b>39,091,567,051</b>	<b>49,861,755,404</b>
Weighted average number of ordinary shares for basic earnings per share	26,807,835	26,807,835
Effect of dilution	-	-
<b>Weighted average number of ordinary shares adjusted for the effect of dilution</b>	<b>26,807,835</b>	<b>26,807,835</b>
<b>Basic earnings per share</b>		
- <i>Basic earnings</i>	1,458	1,860
- <i>Diluted earnings</i>	1,458	1,860

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)  
as at 30 June 2019 and for the six-month period then ended**27. EARNINGS PER SHARE (continued)**

(\*) Net profit used to compute earnings per share for the six-month period ended 30 June 2018 was restated following the actual distribution to Bonus and welfare funds from 2018 retained earnings as approved in the Shareholders Meeting's Resolution no 2604/2019/NQ-DHDCD dated 26 April 2019.

Net profit used to compute earnings per share for the six-month period ended 30 June 2019 was not adjusted for distribution to Bonus and welfare funds from 2019 profit as the Shareholders Meeting's Resolution is not yet available.

**28. SEGMENT INFORMATION**

The principal activities of the Company are manufacturing and trading of products of gardening accessories, metal products, machinery and tools, heat treatment and electroplating. Revenue from sale of rake, scissors, shovel, saw, hoe and pitchfork accounted for 91% of total revenue in the period. 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.

**29. COMMITMENTS AND CONTINGENCIES****Operating lease commitment**

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

	<i>Currency: VND</i>	
	<i>30 June 2019</i>	<i>31 December 2018</i>
Less than 1 year	613,847,674	608,875,181
From 1 to 5 years	2,455,390,694	2,435,500,723
More than 5 years	17,512,317,329	17,672,393,604
<b>TOTAL</b>	<b>20,581,555,697</b>	<b>20,716,769,508</b>

**30. EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

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

14 August 2019