

Vietnam Fortress Tools Joint Stock Company

Financial statements

For the year ended 31 December 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”) 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 13rd 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 10th 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;
- ▶ 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. Hsu Wei Chun	Member	appointed on 26 April 2019
Mr. Tsai Hsien Hao	Independent member	appointed on 26 April 2019
Ms. Le Thi Thu Hang	Member	appointed on 20 August 2019
Mr. Tsai Chui Tien	Member	resigned on 20 August 2019

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	
Mr. Hsu Christopher Tony	Deputy Chief Executive Officer	appointed on 1 September 2019
Mr. Yiu Xi Fung	Deputy Chief Executive Officer	appointed on 15 June 2019
Mr. Mu Hong Tao	Deputy Chief Executive Officer	appointed on 6 March 2019
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

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 2019.

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 2019 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 the preparation and the presentation of the financial statements.

For and on behalf of management:



Hsu Ling Hsin
Chief Executive Officer

Thai Binh, Vietnam

28 March 2020

Reference: 61382523/21041963

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 28 March 2020 and set out on pages 6 to 40, which comprise the balance sheet as at 31 December 2019, 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 2019, 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.



Le Duc Trung
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 2020

BALANCE SHEET
as at 31 December 2019

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,264,988,680,579	1,287,562,779,927
110	I. Cash and cash equivalents	4	21,371,059,649	643,438,433
111	1. Cash		2,416,059,649	643,438,433
112	2. Cash equivalents		18,955,000,000	-
120	II. Short-term investments		17,535,950,000	10,650,000,000
123	1. Held-to-maturity investments	5	17,535,950,000	10,650,000,000
130	III. Current accounts receivable		494,502,829,971	594,911,426,945
131	1. Short-term trade receivables	6.1	483,574,523,447	586,026,179,857
132	2. Short-term advances to suppliers	6.2	3,393,110,346	3,869,139,580
136	3. Other short-term receivables	7	7,535,196,178	5,016,107,508
140	IV. Inventories	8	731,478,615,230	681,314,541,276
141	1. Inventories		735,651,085,618	685,487,011,664
149	2. Provision for obsolete inventories		(4,172,470,388)	(4,172,470,388)
150	V. Other current assets		100,225,729	43,373,273
152	1. Value added tax deductible	13	100,225,729	43,373,273
200	B. NON-CURRENT ASSETS		401,737,519,460	392,375,768,584
220	I. Fixed assets		363,789,967,090	351,745,768,578
221	1. Tangible fixed assets	9	363,723,886,631	351,657,592,122
222	Cost		586,080,656,325	533,618,279,282
223	Accumulated depreciation		(222,356,769,694)	(181,960,687,160)
227	2. Intangible fixed assets	10	66,080,459	88,176,456
228	Cost		527,779,593	527,779,593
229	Accumulated amortisation		(461,699,134)	(439,603,137)
260	II. Other long-term assets		37,947,552,370	40,630,000,006
261	1. Long-term prepaid expenses	11	36,278,754,355	40,456,822,786
262	2. Deferred tax assets	25.3	1,668,798,015	173,177,220
270	TOTAL ASSETS		1,666,726,200,039	1,679,938,548,511



BALANCE SHEET (continued)
as at 31 December 2019

Currency: VND


Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		904,288,240,298	1,008,318,025,367
310	I. Current liabilities		845,106,348,135	948,973,440,311
311	1. Short-term trade payables	12.1	298,768,876,970	511,014,607,984
312	2. Short-term advances from customers	12.2	6,678,730,551	9,287,471,556
313	3. Statutory obligations	13	13,250,059,544	10,700,538,639
314	4. Payables to employees		20,542,454,448	17,015,022,597
315	5. Short-term accrued expenses		1,753,289,696	1,562,442,839
319	6. Other short-term payables	14	17,175,827,613	3,342,192,639
320	7. Short-term loans	15	478,616,805,744	390,388,254,683
322	8. Bonus and welfare fund		8,320,303,569	5,662,909,374
330	II. Non-current liabilities		59,181,892,163	59,344,585,056
338	1. Long-term loans	15	58,375,550,613	58,670,667,281
342	2. Long-term provisions	16	806,341,550	673,917,775
400	D. OWNERS' EQUITY		762,437,959,741	671,620,523,144
410	I. Capital	17	762,437,959,741	671,620,523,144
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		13,867,172,615	9,438,182,290
421	4. Undistributed earnings		331,871,177,268	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 year		86,388,446,272	115,788,916,776
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,666,726,200,039,361	1,679,938,548,511



Nguyen Thi Cam Van
Preparer



Nguyen Thi Cam Van
Chief Accountant



Hsu Ting Hsin
Chief Executive Officer


28 March 2020

INCOME STATEMENT
for the year ended 31 December 2019

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	19.1	822,359,205,711	897,323,862,150
02	2. Deductions		-	-
10	3. Net revenue from sale of goods	19.1	822,359,205,711	897,323,862,150
11	4. Cost of goods sold	20	(640,100,326,993)	(680,067,882,417)
20	5. Gross profit from sale of goods		182,258,878,718	217,255,979,733
21	6. Finance income	19.2	4,476,376,184	4,509,730,179
22	7. Finance expenses	21	(25,266,558,114)	(29,583,137,349)
23	- In which: Interest expenses		(24,164,937,356)	(26,077,825,927)
25	8. Selling expenses	22	(13,301,856,055)	(15,061,478,317)
26	9. General and administrative expenses	22	(38,954,967,306)	(38,929,496,495)
30	10. Operating profit		109,211,873,427	138,191,597,751
31	11. Other income	23	17,933,190	1,890,251,992
32	12. Other expenses	23	(4,349,215,336)	(3,091,428,540)
40	13. Other loss	23	(4,331,282,146)	(1,201,176,548)
50	14. Accounting profit before tax		104,880,591,281	136,990,421,203
51	15. Current corporate income tax expense	25.1	(12,901,381,284)	(10,130,080,188)
52	16. Deferred tax income/(expense)	25.3	1,495,620,795	(1,002,822,780)
60	17. Net profit after tax		93,474,830,792	125,857,518,235
70	18. Basic earnings per share	27	3,388	4,554
71	19. Diluted earnings per share	27	3,388	4,554


Nguyen Thi Cam Van
Preparer


Nguyen Thi Cam Van
Chief Accountant


Hsu Ting Hsin
Chief Executive Officer



28 March 2020

CASH FLOW STATEMENT
for the year ended 31 December 2019

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		104,880,591,281	136,990,421,203
	<i>Adjustments for:</i>			
02	Depreciation of fixed assets and amortisation of intangible fixed assets		40,457,780,331	33,736,922,683
03	Provisions/(reversal of provision)		132,423,775	(1,033,611,837)
04	Foreign exchange (gains)/losses arising from revaluation of monetary accounts denominated in foreign currency		(785,933,228)	902,028,656
05	Profits from investing activities		(778,320,787)	(695,137,228)
06	Interest expenses	21	24,164,937,356	26,077,825,927
08	Operating profit before changes in working capital		168,071,478,728	195,978,449,404
09	Decrease/(increase) in receivables		99,882,191,926	(248,529,888,248)
10	Increase in inventories		(50,164,073,954)	(145,876,306,282)
11	(Decrease)/increase in payables		(158,344,831,545)	308,978,614,042
12	Decrease/(increase) in prepaid expenses		4,178,068,431	(15,730,169,939)
14	Interest paid		(23,985,197,648)	(24,699,192,333)
15	Corporate income tax paid	13	(10,156,633,121)	(7,557,094,763)
20	Net cash flows from operating activities		29,481,002,817	62,564,411,881
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(94,287,492,690)	(123,846,890,923)
23	Loans to other entities		(6,215,000,000)	(650,000,000)
27	Interest received		2,282,117	695,495,560
30	Net cash flows used in investing activities		(100,500,210,573)	(123,801,395,363)
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
33	Drawdown of borrowings		820,100,976,302	528,227,691,806
34	Repayment of borrowings		(728,354,433,550)	(478,884,994,778)
40	Net cash flows from financing activities		91,746,542,752	49,342,697,028

CASH FLOW STATEMENT (continued)
for the year ended 31 December 2019

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
50	Net increase/(decrease) in cash for the year		20,727,334,996	(11,894,286,454)
60	Cash at the beginning of the year		643,438,433	12,537,972,599
61	Impact of exchange rate fluctuation		286,220	(247,712)
70	Cash at the end of the year	4	21,371,059,649	643,438,433



Nguyen Thi Cam Van
Preparer



Nguyen Thi Cam Van
Chief Accountant



Hsu Ting Hsin
Chief Executive Officer

28 March 2020

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 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 13rd 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 10th 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-GSĐC 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;
- ▶ 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 2019 is 1,672 (31 December 2018: 1,999).

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/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QĐ-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 2019 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 and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of no more than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year 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 balance sheet date.

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

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.

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

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.

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 - 12 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 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.



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

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 of 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 foreign exchange differences incurred during the year are taken to the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year 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 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 in-depth investment.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year 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 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;
- ▶ 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;
- ▶ 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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year 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/(loss) after tax for the year 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 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.

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.

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 export sale of gardening accessories including 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 Vietnam. Therefore, the Company has only one business segment and one geographical segment. Accordingly, the Company does not disclose business segment and geographical segment.

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 AND CASH EQUIVALENTS

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	1,017,663,302	228,269,091
Cash at bank	1,398,396,347	415,169,342
Cash equivalents (*)	18,955,000,000	-
TOTAL	21,371,059,649	643,438,433

(*) Cash equivalents as at 31 December 2019 pertain to short-term deposit denominated in VND with term of 3 month, and earn interest at the rate of 5% per annum. Cash equivalents were pledged as collateral for loans as presented in Note 15.

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

5. HELD-TO-MATURITY INVESTMENTS

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Carrying value	Cost	Carrying value
Term deposit	17,535,950,000	17,535,950,000	10,650,000,000	10,650,000,000
TOTAL	17,535,950,000	17,535,950,000	10,650,000,000	10,650,000,000

Term deposits represent bank deposits with terms from 6 - 12 months and interest rate from 5% - 6.8% per annum. Certain term deposits were pledged as collateral for loans as presented in Note 15.

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	13,018,883,711
- Bond Manufacturing Co., Inc.	6,113,695,595	-
- XHL Co., Ltd.	2,188,355,265	10,370,985,530
- Other customers	4,716,832,851	17,354,999
Short term trade receivables from related parties (Note 26)	470,555,639,736	575,637,839,328
TOTAL	483,574,523,447	586,026,179,857

Certain short-term receivables were pledged as collateral for loans as presented in Note 15.

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
Other suppliers	1,643,110,346	2,119,139,580
TOTAL	3,393,110,346	3,869,139,580

7. OTHER SHORT-TERM RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
	Value added taxes refund	4,930,000,000
Import tax refund	1,384,632,507	1,384,632,507
An Viet Audit Company Limited	780,000,000	780,000,000
Interest from bank deposit	440,563,671	335,475,001
TOTAL	7,535,196,178	5,016,107,508

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 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	6,862,238,395	-	18,311,501,098	-
Raw materials	122,082,568,596	-	105,544,959,456	-
Tools and supplies	5,932,897,420	-	8,985,299,705	-
Work in process	489,320,436,778	(4,172,470,388)	405,144,455,395	(4,172,470,388)
Finished goods	106,975,805,943	-	144,944,638,854	-
Goods on consignment	4,477,138,486	-	2,556,157,156	-
TOTAL	<u>735,651,085,618</u>	<u>(4,172,470,388)</u>	<u>685,487,011,664</u>	<u>(4,172,470,388)</u>

Certain inventories were pledged as collateral for loans as presented in Note 15.

Details of movement of provision for obsolete inventories:

Currency: VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Beginning balance	4,172,470,388	5,880,000,000
Less: Reversal of provision during the year	-	(1,707,529,612)
Ending balance	<u>4,172,470,388</u>	<u>4,172,470,388</u>

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

9. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	Total
Cost:					
Beginning balance	156,758,852,511	371,073,347,921	5,162,714,305	623,364,545	533,618,279,282
- New purchase	2,552,912,064	49,949,066,779	-	-	52,501,978,843
- Other decrease	-	(39,601,800)	-	-	(39,601,800)
Ending balance	159,311,764,575	420,982,812,900	5,162,714,305	623,364,545	586,080,656,325
<i>In which:</i>					
<i>Fully depreciated</i>	124,815,370	104,103,706,895	3,056,043,524	623,364,546	107,907,930,335
Accumulated depreciation:					
Beginning balance	17,090,707,485	159,669,919,787	4,576,695,343	623,364,545	181,960,687,160
- Depreciation for the year	8,117,366,834	31,902,556,461	415,761,039	-	40,435,684,334
- Other decrease	-	(39,601,800)	-	-	(39,601,800)
Ending balance	25,208,074,319	191,532,874,448	4,992,456,382	623,364,545	222,356,769,694
Net carrying amount:					
Beginning balance	139,668,145,026	211,403,428,134	586,018,962	-	351,657,592,122
Ending balance	134,103,690,256	229,449,938,452	170,257,923	-	363,723,886,631

Certain tangible fixed assets were pledged as collateral for loans as presented in Note 15.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 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	439,603,137
- Amortisation for the year	<u>22,095,997</u>
Ending balance	<u>461,699,134</u>

Net carrying amount:

Beginning balance	<u>88,176,456</u>
Ending balance	<u>66,080,459</u>

11. LONG-TERM PREPAID EXPENSES

Currency: VND

	<i>Ending balance</i>	<i>Beginning balance</i>
Prepaid infrastructure and land rental	24,532,591,892	25,273,346,359
Tools and supplies	10,403,084,937	13,691,168,064
Others	<u>1,343,077,526</u>	<u>1,492,308,363</u>
TOTAL	<u>36,278,754,355</u>	<u>40,456,822,786</u>

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

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

12.1 Short-term trade payables

Currency: VND

	Ending balance		Beginning balance	
	Balance	Payable amount	Balance	Payable amount
Trade payables to suppliers	150,424,461,327	150,424,461,327	150,022,866,275	150,022,866,275
- Hsin Yue Hsing Company Limited	26,464,823,284	26,464,823,284	22,597,694,434	22,597,694,434
- An Think Import and Export Joint Stock Company	21,673,249,865	21,673,249,865	18,045,283,761	18,045,283,761
- Trade payables to other suppliers	102,286,388,178	102,286,388,178	109,379,888,080	109,379,888,080
Trade payables to related parties (Note 26)	148,344,415,643	148,344,415,643	360,991,741,709	360,991,741,709
TOTAL	298,768,876,970	298,768,876,970	511,014,607,984	511,014,607,984

12.2 Short-term advances from customers

Currency: VND

	Ending balance	Beginning balance
Advances from customers	6,678,730,551	8,367,370,468
- Corona Clipper Inc.	2,669,513,750	-
- Snow Joe LLC Co., Ltd.	2,007,751,131	-
- Advance from other customers	2,001,465,670	8,367,370,468
Advance from related parties (Note 26)	-	920,101,088
TOTAL	6,678,730,551	9,287,471,556

13. STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Payable for the year	Payment made during the year	Ending balance
Payables				
Import duties	344,882,607	755,211,769	(775,167,044)	324,927,332
Corporate income tax	10,037,678,019	12,901,381,284	(10,156,633,121)	12,782,426,182
Personal income tax	317,978,013	890,074,316	(1,065,346,299)	142,706,030
TOTAL	10,700,538,639	14,546,667,369	(11,997,146,464)	13,250,059,544
	Beginning balance	Increase in the year	Decrease during the year	Ending balance
Receivables				
Value added tax	43,373,273	23,374,342,525	(23,317,490,069)	100,225,729
TOTAL	43,373,273	23,374,342,525	(23,317,490,069)	100,225,729

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

14. OTHER SHORT-TERM PAYABLES

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Social insurance, health insurance and unemployment insurance	13,036,899,067	1,463,238,929
Trade union fee	475,045,141	435,128,854
Other payables	3,663,883,405	1,443,824,856
TOTAL	17,175,827,613	3,342,192,639

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

15. LOANS

	Beginning balance		Movement during the year		Foreign exchange difference	Ending balance	
	Balance	Payable amount	Increase	Decrease		Balance	Payable amount
Short-term							
Loans from banks (Note 15.1)	324,341,377,606	324,341,377,606	773,907,458,594	(679,589,142,491)	(3,767,267,240)	414,892,426,469	414,892,426,469
Loans from related parties (Note 15.2)	35,518,757,000	35,518,757,000	8,835,000,000	(8,975,000,000)	-	35,378,757,000	35,378,757,000
Current portion of long term loans from bank (Note 15.3)	30,528,120,077	30,528,120,077	28,345,622,275	(30,513,136,481)	(14,983,596)	28,345,622,275	28,345,622,275
TOTAL	390,388,254,683	390,388,254,683	811,088,080,869	(719,077,278,972)	(3,782,250,836)	478,616,805,744	478,616,805,744
Long-term							
Loans from banks (Note 15.3)	58,670,667,281	58,670,667,281	37,358,517,708	(37,622,776,853)	(30,857,523)	58,375,550,613	58,375,550,613
TOTAL	58,670,667,281	58,670,667,281	37,358,517,708	(37,622,776,853)	(30,857,523)	58,375,550,613	58,375,550,613

Currency: VND

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

15. LOANS (continued)

15.1 Short-term loans from banks

Banks	Contract No.	Ending balance (VND)	Ending balance Original currency (USD)	Principal and interest repayment term	Interest rate per annum	Description of collateral
Ho Chi Minh City Development Joint Stock Commercial bank - Thai Binh Branch	8434.01/19MB /HBTD	200,379,996,062	8,629,629	Interest is payable monthly at the end of each month. Principal is payable from 27 May 2020 to 16 September 2020 according to each agreement.	4.2%- 5.2%	All real estate of the Company with the amount of VND 126,507,000,000, debt claims, receivables and inventories of the Company; The property of Garden Pals Company Limited with the amount of VND 33,842,000,000; and LC of customers Daishin and Snow Joe.
Military Commercial Joint Stock Bank – Thai Binh Branch	16295.17.755. 2363518.TD	136,458,775,340	5,872,984	Interest is payable monthly on 25th. Principal is payable from 5 February 2020 to 24 June 2020 according to each agreement.	3.8%- 4.0%	All plants manufacturing tools, gardening accessories at Lot E3 + E3' in Phuc Khanh Industrial Park owned by the Company, including: - Buildings and construction on land; - Machines and equipment with the amount of VND 29,978,042,000; and - Deposit with the term of 12 months with the amount of VND 11,320,950,000, deposit with the term of 3 months with the amount of VND 18,955,000,000 off the Company and the deposit with the term of 3 months with the amount of VND 32,117,568,978 of Mr Hsu Ting Hsin.
Tien Phong Commercial Joint Stock Bank	459/2018/HDT D/HNI/01	78,053,655,067	3,358,880	Interest is payable monthly on 26th. Principal is payable from 26 March 2020 to 25 July 2020 according to each agreement.	4.4%	Assets of Bach Hoa Phuc Khanh Co., Ltd. with the amount of VND 37,758,600,000, deposit with the term of 3 months with the amount of VND 24,801,991,376 of Mrs. Nguyen Bich Hong and the deposit with the amount of VND 23,000,000,000 of Khai Phat Dai Tin Co., Ltd..
TOTAL		414,892,426,469	17,861,493			

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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15. LOANS (continued)

15.2 Short-term loans from related parties

Lenders	Contract's No.	Ending balance	Principal and interest repayment term	Interest rate per annum	Description of collateral
Fortune Industrial Park Development Co., Ltd	20072015	2,257,157,000	Principal 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 JSC	01/HĐV-ĐT-FT 02/HĐV-ĐT-FT	13,300,000,000 10,000,000,000	Principal and interest are payable on 30 June 2020 Principal and interest are payable on 30 June 2020	6.0% 6.0%	None None
Garden Pals Co., Ltd	01/2018GP-FTV	5,461,600,000	Principal and interest are payable on 2 June 2020	6.0%	None
Ms. Duong Thi Thom		4,360,000,000	Principal and interest are payable on 10 April 2020.	6.0%-7.5%	None
		35,378,757,000			

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 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
		Ending balance (VND)	Original currency (USD)			
Ho Chi Minh City Development Joint Stock Commercial bank - Thai Binh Branch	8434.02/19MB/HĐTD	6,483,834,578	-	Interest is payable monthly at the end of each month. Principal is payable quarterly from 20 January 2020 according to each agreement.	11.17%- 11.42%	All real estate of the Company with the amount of VND 126,507,000,000, debt claims, receivables and inventories of the Company; and All real estate of Garden Pals Co.,Ltd with the amount of VND 33,842,000,000.
Military Commercial Joint Stock Bank – Thai Binh Branch	2893.17.755.23 63518.TD	27,633,400,872	1,189,288	Interest is payable monthly on the 25 th . Principal is payable quarterly on the 25 th at the end of the quarter from 25 February 2020.	5%	All plants manufacturing tools, gardening accessories 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 VND36,945,500,000.
The Shanghai Commercial and Savings bank - Dong Nai Branch	2893.17.755.23 63518.TD.PL1	24,702,905,819	-	Interest is payable monthly on the 25 th . Principal is payable quarterly on the 25 th at the end of the quarter from 25 February 2020.	10.5-11%	Machinery and equipment formed from the loan and deposit with term of 6 months with the amount of VND 4,505,000,000 of the Company.
TOTAL		86,721,172,888	2,390,624			
<i>In which:</i>						
- Current portion		28,345,622,275				
- Long-term loans		58,375,550,613				

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

16. LONG-TERM PROVISION

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Severance allowance	<u>806,341,550</u>	<u>673,917,775</u>
TOTAL	<u>806,341,550</u>	<u>673,917,775</u>



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as at 31 December 2019 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
Previous year					
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)	-
Welfare and bonus fund	-	-	-	(3,775,725,547)	(3,775,725,547)
Other decrease	-	(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
Current year					
Beginning balance	268,078,350,000	148,621,259,858	9,438,182,290	245,482,730,996	671,620,523,144
Profit for the year	-	-	-	93,474,830,792	93,474,830,792
Appropriation to investment and development fund (*)	-	-	4,428,990,325	(4,428,990,325)	-
Appropriation to welfare and bonus fund (*)	-	-	-	(2,657,394,195)	(2,657,394,195)
Ending balance	268,078,350,000	148,621,259,858	13,867,172,615	331,871,177,268	762,437,959,741

Currency: VND

(*) 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. 2604/2019/NQ-BBHDHCD dated 26 April 2019.

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

17. OWNERS' EQUITY (continued)

17.2 Share capital

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	-	148,621,259,858	148,621,259,858	-
TOTAL	416,699,609,858	416,699,609,858	-	416,699,609,858	416,699,609,858	-

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	49,169,000,000	4,916,900
Mr. Tsai Chui Tien	34,030,000,000	3,403,000	34,030,000,000	3,403,000
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
Other shareholders	58,199,540,000	5,819,954	58,199,540,000	5,819,954
TOTAL	268,078,350,000	26,807,835	268,078,350,000	26,807,835

17.3 Shares

	Quantity	
	Ending balance	Beginning balance
Authorized shares	26,807,835	26,807,835
Issued shares	26,807,835	26,807,835
Ordinary shares	26,807,835	26,807,835
Shares in circulation	26,807,835	26,807,835
Ordinary shares	26,807,835	26,807,835

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

18. OFF BALANCE SHEET ITEMS

	Ending balance	Beginning balance
Foreign currency		
- USD	46,156	2,018
- EUR	261	270

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

19. REVENUES

19.1 Revenues from sale of goods

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Gross revenue	822,359,205,711	897,323,862,150
<i>In which:</i>		
<i>Sales of finished goods</i>	<i>813,786,612,077</i>	<i>892,064,583,059</i>
<i>Sales of scrap and tools</i>	<i>8,572,593,634</i>	<i>5,259,279,091</i>
Net revenue	822,359,205,711	897,323,862,150
<i>In which:</i>		
<i>Sales to other parties</i>	<i>86,284,762,458</i>	<i>17,474,577,618</i>
<i>Sales to related parties</i>	<i>736,074,443,253</i>	<i>879,849,284,532</i>

19.2 Finance income

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Interest income	778,320,787	695,137,228
Foreign exchange gains	3,698,055,397	3,814,592,951
TOTAL	4,476,376,184	4,509,730,179

20. COST OF GOODS SOLD

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Cost of finished goods sold	640,100,326,993	681,775,412,029
Reversal of provision for obsolete inventories	-	(1,707,529,612)
TOTAL	640,100,326,993	680,067,882,417

21. FINANCE EXPENSES

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Loan interest	24,164,937,356	26,077,825,927
Foreign exchange losses	1,101,620,758	3,505,311,422
TOTAL	25,266,558,114	29,583,137,349

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 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>
Selling expenses		
Labor costs	1,401,335,155	1,473,291,384
Others	11,900,520,900	13,588,186,933
TOTAL	<u>13,301,856,055</u>	<u>15,061,478,317</u>
General and administrative expenses		
Labor costs	20,224,043,834	19,245,823,596
Expenses for external services	12,551,713,577	13,615,266,072
Depreciation and amortization	3,424,386,793	3,573,044,413
Others	2,754,823,102	2,495,362,414
TOTAL	<u>38,954,967,306</u>	<u>38,929,496,495</u>

23. OTHER INCOME AND EXPENSES

	<i>Currency: VND</i>	
	<i>Curent year</i>	<i>Previous year</i>
Other income	17,933,190	1,890,251,992
Other income	17,933,190	1,890,251,992
Other expenses	4,349,215,336	3,091,428,540
Penalty	3,245,793,144	2,761,647,187
Other expenses	1,103,422,192	329,781,353
TOTAL	<u>(4,331,282,146)</u>	<u>(1,201,176,548)</u>

24. PRODUCTION AND OPERATING COSTS

	<i>Currency: VND</i>	
	<i>Curent year</i>	<i>Previous year</i>
Materials	423,219,059,946	530,087,217,334
Labour costs	179,985,707,912	165,150,235,505
Depreciation and amortization	40,457,780,331	33,736,922,683
Expenses for external services	94,050,060,101	72,423,952,409
Other expenses	2,772,671,866	23,759,153,828
TOTAL	<u>740,485,280,156</u>	<u>825,157,481,759</u>

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

25. 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 2019 is 20%.

The project expansion No 1: Manufacturing gardening accessories

The Company is also entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable profit is earned (which is the fiscal year ended 31 December 2019) and a 50% reduction of the applicable CIT tax rate for the following 4 years. Accordingly, the applicable CIT tax rate of the expansion project for the year 2019 is 0%.

The project expansion No 2: Manufacturing wood toys

The Company is also entitled to an exemption from CIT for 2 years commencing from the first year in which a taxable profit is earned (which is the fiscal year ended 31 December 2019) and a 50% reduction of the applicable CIT tax rate for the following 4 years. Accordingly, the applicable CIT tax rate of the expansion project for the year 2019 is 0%.

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>Current year</i>	<i>Previous year</i>
Current CIT expenses	12,901,381,284	10,130,080,188
Deferred tax expense/(income)	1,495,620,795	(1,002,822,780)
TOTAL	14,397,002,079	9,127,257,408

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

25. CORPORATE INCOME TAX (continued)

25.1 CIT expenses (continued)

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>
Accounting profit before tax	104,880,591,281	136,990,421,203
<i>In which:</i>		
Profit from the original project	63,779,410,444	136,990,421,203
Profit from the project expansion No 1	47,172,482,373	-
Loss from the project expansion No 2	<u>(6,071,301,536)</u>	<u>-</u>
At CIT rate of 20%	20,976,118,256	27,398,084,241
<i>Adjustments to increase:</i>		
Non-deductible expenses	869,843,067	618,285,708
Severance allowance	26,484,755	134,783,555
Unrealised loss in current year	673,035,627	-
Reversal of unrealised gain in prior year	796,100,413	-
<i>Adjustments to decrease:</i>		
Unrealised gain in current year	-	(796,100,413)
Reversal of provision for obsolete inventory	-	(341,505,922)
Tax exemption	<u>(10,440,200,834)</u>	<u>(16,883,466,981)</u>
CIT expenses	<u>12,901,381,284</u>	<u>10,130,080,188</u>

25.2 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 2019 and for the year then ended

25. CORPORATE INCOME TAX (continued)

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 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>
<i>Deferred tax asset</i>				
Provision for obsolete inventories	834,494,078	834,494,078	-	(341,505,922)
Provision for severance allowance	161,268,310	134,783,555	26,484,755	134,783,555
Unrealized foreign exchange loss of cash and account receivables	673,035,627	-	673,035,627	-
	<u>1,668,798,015</u>	<u>969,277,633</u>	<u>699,520,382</u>	<u>(206,722,367)</u>
<i>Deferred tax liabilities</i>				
Unrealized foreign exchange gain of cash and account receivables	-	(796,100,413)	796,100,413	(796,100,413)
	<u>1,668,798,015</u>	<u>173,177,220</u>		
<i>Net deferred tax assets</i>				
<i>Net deferred tax credit/(charged) to income statement</i>			<u>1,495,620,795</u>	<u>(1,002,822,780)</u>



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

26. TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Company with related parties during the year ended 31 December 2019 and 31 December 2018 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
Joy Wish Inc.	Common management	Sales of goods	539,124,299,114	569,083,163,746
Golden Hype Co., Ltd	Common management	Purchase of materials	314,920,174,339	344,405,257,104
		Purchase of goods	56,512,097,360	92,633,672,002
		Sales of goods	973,236,919	1,071,112,357
Great Reward Co., Ltd	Related party	Sale of goods	138,192,917,535	176,201,212,034
FT Ostermann GMBH Co., Ltd	Related party	Sale of goods	57,783,989,685	48,039,998,931
		Purchase of goods	81,552,780	1,610,356,647
Wisdom Co., Ltd	Related party	Purchase of goods	16,761,212,592	56,907,995,682
Garden Pals Co., Ltd	Related party	Principal paid	4,500,000,000	-
		Purchase services	1,678,373,954	-
		Processing fee	791,758,867	6,897,368,000
		Interest paid	563,814,313	-
		Warehouse rental fee	423,000,000	1,130,400,000
		Short-term loan	-	9,961,600,000
Khai Phat Dai Tin JSC	Related party	Purchase of goods	1,554,003,844	10,224,694,146
		Short-term loan	-	23,300,000,000
		Loan interest	1,398,000,000	245,112,329
Bach hoa Phuc Khanh Co., Ltd	Related party	Purchase of goods	737,019,358	646,843,184
Ms. Duong Thi Thom	Member of management	Short-term loan	8,835,000,000	-
		Principal paid	4,475,000,000	-
		Interest paid	185,438,630	-

In addition to these transactions, related parties also provides assets as collateral for the Company's loans from banks as presented in Note 15.

Terms and conditions of transactions with related parties

Except for loans as disclosed in the financial statements, other outstanding balances are unsecured, interest-free and will be settled in cash. For the year ended 31 December 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2018: Nil). This assessment is undertaken each financial year through the examination of the financial position of each related party and the market in which the related party operates.

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

26. TRANSACTIONS WITH RELATED PARTIES (continued)

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

<i>Currency: VND</i>				
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Ending balance</i>	<i>Beginning balance</i>
<i>Short-term trade receivables (Note 6.1)</i>				
Joy Wish Inc	Common management	Sale of goods	269,584,813,980	302,363,435,121
Great Reward Co., Ltd	Related party	Sale of goods	164,012,142,387	152,227,088,400
FT Ostermann GMBH Co., Ltd	Related party	Sale of goods	36,933,724,191	50,868,336,829
Golden Hype Co., Ltd	Common management	Sale of goods	24,959,178	-
Formosa Tools Co., Ltd	Investor	Sale of goods	-	63,931,688,058
Eternal Luck Inc	Related party	Sale of goods	-	6,247,290,920
TOTAL			<u>470,555,639,736</u>	<u>575,637,839,328</u>
<i>Short-term trade payables (Note 12.1)</i>				
Golden Hype Co., Ltd	Common management	Material and machine purchasing	122,930,113,490	312,265,260,630
Wisdom Company Limited	Related party	Material and machine purchasing	16,741,959,551	42,778,171,658
Khai Phat Dai Tin JSC	Related party	Management and water fee and infrastructure rental	4,463,800,764	4,087,705,761
Garden Pals Co., Ltd	Related party	Factory rental and processing fee	2,858,966,431	458,140,416
Bach hoa Phuc Khanh Co., Ltd	Related party	Purchase of goods	1,349,575,407	563,300,130
FT Ostermann GMBH Co., Ltd	Related party	Material and machine purchasing	-	839,163,114
TOTAL			<u>148,344,415,643</u>	<u>360,991,741,709</u>
<i>Advances from customers (Note 12.2)</i>				
Golden Hype Co., Ltd	Common management	Advance to purchase goods	-	920,101,088
TOTAL			<u>-</u>	<u>920,101,088</u>

Loans from related parties are disclosed in Note 15.2.

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

26. TRANSACTIONS WITH RELATED PARTIES (continued)

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	1,488,133,810	1,278,883,000
TOTAL	1,488,133,810	1,278,883,000

27. 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	93,474,830,792	125,857,518,235
Appropriation to welfare and bonus fund	(2,657,394,195)	(3,775,725,547)
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	90,817,436,597	122,081,792,688
Weighted average number of ordinary shares for basic earnings per share	26,807,835	26,807,835
Effect of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	26,807,835	26,807,835
Basic earnings per share		
- <i>Basic earnings</i>	3,388	4,554
- <i>Diluted earnings</i>	3,388	4,554

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

28. COMMITMENTS

Operating lease commitment

The Company leases under operating lease arrangements. The minimum lease commitments as at the balance sheet dates under the operating lease agreements are as follows:

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	610,843,459	608,875,181
From 1 to 5 years	2,443,373,837	2,435,500,723
More than 5 years	17,118,678,751	17,672,393,604
TOTAL	<u>20,172,896,047</u>	<u>20,716,769,508</u>

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

28 March 2020

