

Vietnam Fortress Tools Joint Stock Company

Financial statements

For the year ended 31 December 2020



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 and Investment Registration Certificate No. 4304315420 issued by Management Board of Thai Binh Economic Zone and Industrial Parks on 14 July 2010. The Company subsequently received the 14th amended Business Registration Certificates dated 19 August 2020 as the latest and the 10th amended Investment Registration Certificate dated 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.

Under the Official Letter No. 59/UBCK-GSDC dated 8 January 2021 of the State Securities Commission, the Company is in the process of finalizing documents for listing and trading registration on Upcom stock exchange.

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 Bulding, 360 Kim Ma street, Ba Dinh district, Hanoi, Vietnam.

BOARD OF MANAGEMENT

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

Mr. Hsu Ting Hsin	Chairman	
Mr. Hsu Wei Chun	Member	
Ms. Hsu Yu Min	Member	appointed on 22 January 2021
Ms. To Thi Phuong Lan	Member	appointed on 22 January 2021
Mr. Liang Tung Hsing	Member	resigned on 22 January 2021
Ms. Le Thi Thu Hang	Member	resigned on 22 January 2021
Mr. Tsai Jer – Shyong	Independent member	
Mr. Carl Ronald Gordon	Independent member	
Mr. Tsai Hsien Hao	Independent member	

BOARD OF SUPERVISION

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

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

Vietnam Fortress Tools Joint Stock Company

GENERAL INFORMATION (continued)

BOARD OF DIRECTORS

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

Mr. Hsu Ting Hsin	Chief Executive Officer	resigned on 1 August 2020
Mr. Hsu Wei Chun	Chief Executive Officer	appointed on 1 August 2020
Mr. Kuo Hsien Cheng	Deputy Chief Executive Officer	
Mr. Hsu Christopher Tony	Deputy Chief Executive Officer	
Mr. Mu Hong Tao	Deputy Chief Executive Officer	resigned on 13 January 2021
Mr. Yiu Xi Fung	Deputy Chief Executive Officer	resigned on 29 September 2020
Ms. Duong Thi Thom	Deputy Chief Executive Officer	

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 Chairman.

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 2020.

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 2020 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 Wei Chun
Chief Executive Officer

Thai Binh, Vietnam

5 February 2021

Reference: 61382523/21584073

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 5 February 2021 and set out on pages 6 to 41, which comprise the balance sheet as at 31 December 2020, 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 2020, 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.

Ernst & Young Vietnam Limited




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



Dao Van Thich
Auditor
Audit Practising Registration
Certificate No. 3732-2021-004-1

Hanoi, Vietnam

5 February 2021

BALANCE SHEET
as at 31 December 2020


Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,304,352,123,246	1,264,988,680,579
110	I. Cash and cash equivalents	4	10,330,248,926	21,371,059,649
111	1. Cash		7,667,198,555	2,416,059,649
112	2. Cash equivalents		2,663,050,371	18,955,000,000
120	II. Short-term investments		42,137,782,459	17,535,950,000
123	1. Held-to-maturity investments	5	42,137,782,459	17,535,950,000
130	III. Current accounts receivable		267,062,245,934	494,502,829,971
131	1. Short-term trade receivables	6.1	262,427,022,125	483,574,523,447
132	2. Short-term advances to suppliers	6.2	2,048,985,911	3,393,110,346
136	3. Other short-term receivables	7	2,586,237,898	7,535,196,178
140	IV. Inventories	8	984,740,494,722	731,478,615,230
141	1. Inventories		996,066,562,358	735,651,085,618
149	2. Provision for obsolete inventories		(11,326,067,636)	(4,172,470,388)
150	V. Other current assets		81,351,205	100,225,729
152	1. Value added tax deductible	13	81,351,205	100,225,729
200	B. NON-CURRENT ASSETS		399,494,544,525	401,737,519,460
220	I. Fixed assets		364,487,992,067	363,789,967,090
221	1. Tangible fixed assets	9	364,407,488,119	363,723,886,631
222	Cost		629,865,800,724	586,080,656,325
223	Accumulated depreciation		(265,458,312,605)	(222,356,769,694)
227	2. Intangible fixed assets	10	80,503,948	66,080,459
228	Cost		567,943,593	527,779,593
229	Accumulated amortisation		(487,439,645)	(461,699,134)
260	II. Other long-term assets		35,006,552,458	37,947,552,370
261	1. Long-term prepaid expenses	11	33,740,403,784	36,278,754,355
262	2. Deferred tax assets	25.3	1,266,148,674	1,668,798,015
270	TOTAL ASSETS		1,703,846,667,771	1,666,726,200,039

BALANCE SHEET (continued)
as at 31 December 2020

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		922,458,413,972	904,288,240,298
310	I. Current liabilities		869,707,558,409	845,106,348,135
311	1. Short-term trade payables	12.1	207,066,659,254	298,768,876,970
312	2. Short-term advances from customers	12.2	14,149,198,160	6,678,730,551
313	3. Statutory obligations	13	2,236,288,684	13,250,059,544
314	4. Payables to employees		30,241,162,963	20,542,454,448
315	5. Short-term accrued expenses		2,055,002,572	1,753,289,696
319	6. Other short-term payables	14	17,750,783,655	17,175,827,613
320	7. Short-term loans	15	587,302,067,983	478,616,805,744
322	8. Bonus and welfare fund		8,906,395,138	8,320,303,569
330	II. Non-current liabilities		52,750,855,563	59,181,892,163
338	1. Long-term loans	15	51,944,514,013	58,375,550,613
342	2. Long-term provisions	16	806,341,550	806,341,550
400	D. OWNERS' EQUITY		781,388,253,799	762,437,959,741
410	I. Capital	17	781,388,253,799	762,437,959,741
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		14,843,991,896	13,867,172,615
421	4. Undistributed earnings		349,844,652,045	331,871,177,268
421a	- Undistributed earnings by the end of prior year		331,871,177,268	245,482,730,996
421b	- Undistributed earnings of current year		17,973,474,777	86,388,446,272
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,703,846,667,771	1,666,726,200,039



 Nguyen Thi Tuyet Mai
 Preparer



 Nguyen Thi Cam Van
 Chief Accountant



 Hsu Ting Hsin
 Chairman



5 February 2021

INCOME STATEMENT
for the year ended 31 December 2020

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	19.1	653,049,724,462	822,359,205,711
02	2. Deductions		-	-
10	3. Net revenue from sale of goods	19.1	653,049,724,462	822,359,205,711
11	4. Cost of goods sold	20	(547,809,203,890)	(640,100,326,993)
20	5. Gross profit from sale of goods		105,240,520,572	182,258,878,718
21	6. Finance income	19.2	9,323,162,084	4,476,376,184
22	7. Finance expenses	21	(34,612,120,755)	(25,266,558,114)
23	- In which: Interest expenses		(31,901,324,709)	(24,164,937,356)
25	8. Selling expenses	22	(16,085,140,527)	(13,301,856,055)
26	9. General and administrative expenses	22	(34,735,456,068)	(38,954,967,306)
30	10. Operating profit		29,130,965,306	109,211,873,427
31	11. Other income	23	203,956,489	17,933,190
32	12. Other expenses	23	(7,438,441,461)	(4,349,215,336)
40	13. Other loss	23	(7,234,484,972)	(4,331,282,146)
50	14. Accounting profit before tax		21,896,480,334	104,880,591,281
51	15. Current corporate income tax expense	25.1	(1,957,445,366)	(12,901,381,284)
52	16. Deferred tax (expense)/income	25.3	(402,649,341)	1,495,620,795
60	17. Net profit after tax		19,536,385,627	93,474,830,792
70	18. Basic earnings per share	27	707	3,388
71	19. Diluted earnings per share	27	707	3,388



Nguyen Thi Tuyet Mai
Preparer



Nguyen Thi Cam Van
Chief Accountant



Hsu Ting Hsin
Chairman

5 February 2021

CASH FLOW STATEMENT
for the year ended 31 December 2020

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		21,896,480,334	104,880,591,281
	<i>Adjustments for:</i>			
02	Depreciation of fixed assets and amortisation of intangible fixed assets		45,686,526,870	40,457,780,331
03	Provisions		7,153,597,248	132,423,775
04	Foreign exchange gains arising from revaluation of monetary accounts denominated in foreign currency		(2,542,503,560)	(785,933,228)
05	Profits from investing activities		(2,211,058,181)	(778,320,787)
06	Interest expenses	21	31,901,324,709	24,164,937,356
08	Operating profit before changes in working capital		101,884,367,420	168,071,478,728
09	Decrease in receivables		276,928,946,947	99,882,191,926
10	Increase in inventories		(260,415,476,740)	(50,164,073,954)
11	Decrease in payables		(76,238,862,817)	(158,344,831,545)
12	Decrease in prepaid expenses		2,538,350,571	4,178,068,431
14	Interest paid		(28,358,085,711)	(23,985,197,648)
15	Corporate income tax paid	13	(12,901,381,285)	(10,156,633,121)
17	Other cash outflows for operating activities		(1,381,819)	-
20	Net cash flows from operating activities		3,436,476,566	29,481,002,817
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets and other long-term assets		(116,781,480,828)	(94,287,492,690)
22	Proceeds from disposals of fixed assets and other long-term assets		149,500,000	-
23	Loans to other entities		(23,821,122,861)	(6,215,000,000)
24	Collections from borrowers		17,023,205,999	-
27	Interest received		445,668,391	2,282,117
30	Net cash flows used in investing activities		(122,984,229,299)	(100,500,210,573)
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
33	Drawdown of borrowings		870,081,262,532	820,100,976,302
34	Repayment of borrowings		(761,362,545,661)	(728,354,433,550)
40	Net cash flows from financing activities		108,718,716,871	91,746,542,752

CASH FLOW STATEMENT (continued)
for the year ended 31 December 2020

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
50	Net (decrease)/increase in cash for the year		(10,829,035,862)	20,727,334,996
60	Cash at the beginning of the year		21,371,059,649	643,438,433
61	Impact of exchange rate fluctuation		(211,774,861)	286,220
70	Cash at the end of the year	4	10,330,248,926	21,371,059,649



Nguyen Thi Tuyet Mai
Preparer



Nguyen Thi Cam Van
Chief Accountant



Hsu Ting Hsin
Chairman

5 February 2021

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2020 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 the Business Registration Certificate No. 1000383611 issued by Thai Binh Department of Planning and Investment on 23 September 2016 and Investment Registration Certificate No. 4304315420 issued by Management Board of Thai Binh Economic Zone and Industrial Parks on 14 July 2010. The Company subsequently received the 14th amended Business Registration Certificates dated 19 August 2020 as the latest and the 10th amended Investment Registration Certificate dated 11 March 2019 as the latest.

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- ▶ other business activities in accordance with the Company's Business Registration Certificate.

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The number of the Company's employees as at 31 December 2020 is 1,533 (31 December 2019: 1,672).

2. BASIS OF PREPARATION

2.1 *Accounting standards and system*

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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 Vietnam Dong ("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 2020 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 and renewals 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 2020 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 2020 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 2020 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 2020 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 2020 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 98% 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended**4. CASH AND CASH EQUIVALENTS**

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	470,745,568	1,017,663,302
Cash at bank	7,196,452,987	1,398,396,347
Cash equivalents (*)	2,663,050,371	18,955,000,000
TOTAL	<u>10,330,248,926</u>	<u>21,371,059,649</u>

(*) Cash equivalents as at 31 December 2020 pertain to short-term bank deposit denominated in VND with term of 3 months and earn interest at the rate of 3,4% per annum (as at 31 December 2019: 5% per annum).

Cash equivalents were pledged as collateral for loans as presented in Note 15.

5. HELD-TO-MATURITY INVESTMENTS

	<i>Currency: VND</i>			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Carrying value</i>	<i>Cost</i>	<i>Carrying value</i>
Term deposit	42,137,782,459	42,137,782,459	17,535,950,000	17,535,950,000
TOTAL	<u>42,137,782,459</u>	<u>42,137,782,459</u>	<u>17,535,950,000</u>	<u>17,535,950,000</u>

Term deposits represent bank deposits with terms from 6 - 12 months and earn interest at the rate from 2.25% - 5.7% per annum (as at 31 December 2019: 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**

	<i>Currency: VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term trade receivables	37,497,468,672	13,018,883,711
- LIDL Hong Kong Co., Ltd.	24,835,411,824	-
- Conmetall Meister GMBH Co., Inc.	5,473,402,506	-
- Nomita GMBH Co., Inc.	3,383,684,928	-
- XHL Co., Ltd.	2,391,177,026	2,188,355,265
- Bond Manufacturing Co., Inc.	-	6,113,695,595
- Other customers	1,413,792,388	4,716,832,851
Short-term trade receivables from related parties (Note 26)	224,929,553,453	470,555,639,736
TOTAL	<u>262,427,022,125</u>	<u>483,574,523,447</u>

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

6. SHORT-TERM TRADE RECEIVABLES AND SHORT-TERM ADVANCES TO SUPPLIERS
(continued)

6.2. Short-term advances to suppliers

	Currency: VND	
	Ending balance	Beginning balance
Taizhou Huanyan Co., Ltd.	425,720,802	-
Biogas Ttechnology Environment Green Development Co., Ltd.	200,000,000	-
Heng Leong Investment and Development Joint Stock Company	-	1,750,000,000
Other suppliers	1,423,265,109	1,643,110,346
TOTAL	<u>2,048,985,911</u>	<u>3,393,110,346</u>

7. OTHER SHORT-TERM RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
Value added taxes refund	1,993,000,000	4,930,000,000
Interest from bank deposit	545,869,312	440,563,671
Import tax refund	47,368,586	1,384,632,507
An Viet Audit Co., Ltd.	-	780,000,000
TOTAL	<u>2,586,237,898</u>	<u>7,535,196,178</u>

8. INVENTORIES

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	7,602,800,173	-	6,862,238,395	-
Raw materials	162,189,365,197	-	122,082,568,596	-
Tools and supplies	4,231,992,689	-	5,932,897,420	-
Work in process	698,279,952,239	(11,326,067,636)	489,320,436,778	(4,172,470,388)
Finished goods	105,234,352,258	-	106,975,805,943	-
Goods on consignment	18,528,099,802	-	4,477,138,486	-
TOTAL	<u>996,066,562,358</u>	<u>(11,326,067,636)</u>	<u>735,651,085,618</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	
	Ending balance	Beginning balance
Beginning balance	4,172,470,388	4,172,470,388
Add: Provision made during the year	7,153,597,248	-
Ending balance	<u>11,326,067,636</u>	<u>4,172,470,388</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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	159,311,764,575	420,982,812,900	5,162,714,305	623,364,545	586,080,656,325
- New purchase	-	45,977,097,911	-	367,289,936	46,344,387,847
- Disposal	-	(2,559,243,448)	-	-	(2,559,243,448)
Ending balance	159,311,764,575	464,400,667,363	5,162,714,305	990,654,481	629,865,800,724
<i>In which:</i>					
Fully depreciated	229,997,201	107,424,397,664	5,162,714,305	623,364,545	113,440,473,715
Accumulated depreciation:					
Beginning balance	25,208,074,319	191,532,874,448	4,992,456,382	623,364,545	222,356,769,694
- Depreciation for the year	8,256,069,939	37,226,308,137	170,257,923	8,150,360	45,660,786,359
- Disposal	-	(2,559,243,448)	-	-	(2,559,243,448)
Ending balance	33,464,144,258	226,199,939,137	5,162,714,305	631,514,905	265,458,312,605
Net carrying amount:					
Beginning balance	134,103,690,256	229,449,938,452	170,257,923	-	363,723,886,631
Ending balance	125,847,620,317	238,200,728,226	-	359,139,576	364,407,488,119

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 2020 and for the year then ended

10. INTANGIBLE FIXED ASSETS

Currency: VND
Computer software

Cost:

Beginning balance	527,779,593
New purchase	40,164,000
Ending balance	567,943,593
<i>In which:</i>	
Fully amortised	417,299,593

Accumulated amortisation:

Beginning balance	461,699,134
Amortisation for the year	25,740,511
Ending balance	487,439,645

Net carrying amount:

Beginning balance	66,080,459
Ending balance	80,503,948

11. LONG-TERM PREPAID EXPENSES

Currency: VND

	Ending balance	Beginning balance
Prepaid infrastructure and land rental	23,791,837,423	24,532,591,892
Tools and supplies	8,754,719,671	10,403,084,937
Others	1,193,846,690	1,343,077,526
TOTAL	33,740,403,784	36,278,754,355

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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	130,365,578,296	130,365,578,296	150,424,461,327	150,424,461,327
- Hsin Yue Hsing Company Limited	23,353,723,473	23,353,723,473	26,464,823,284	26,464,823,284
- Corona Clipper Corporation	10,963,506,848	10,963,506,848	-	-
- An Thinh Import and Export Joint Stock Company	11,299,087,381	11,299,087,381	21,673,249,865	21,673,249,865
- Trade payables to other suppliers	84,749,260,594	84,749,260,594	102,286,388,178	102,286,388,178
Trade payables to related parties (Note 26)	76,701,080,958	76,701,080,958	148,344,415,643	148,344,415,643
TOTAL	207,066,659,254	207,066,659,254	298,768,876,970	298,768,876,970

12.2 Short-term advances from customers

Currency: VND

	Ending balance	Beginning balance
Daishin Aishin Co., Ltd.	9,364,686,676	662,528,357
Tricam Industries Corporation	2,583,102,495	-
Tavi B.V, PI Co., Ltd.	1,794,069,312	1,338,914,033
Corona Clipper Inc.	-	2,669,513,750
Snow Joe LLC Co., Ltd.	-	2,007,751,131
Advance from other customers	407,339,677	23,280
TOTAL	14,149,198,160	6,678,730,551

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

13. STATUTORY OBLIGATIONS

<i>Currency: VND</i>				
	<i>Beginning balance</i>	<i>Payable for the year</i>	<i>Payment made during the year</i>	<i>Ending balance</i>
Payables				
Import duties	324,927,332	956,075,755	(955,074,141)	325,928,946
Corporate income tax	12,782,426,182	1,957,445,366	(12,901,381,285)	1,838,490,263
Personal income tax	142,706,030	494,694,730	(565,531,285)	71,869,475
Others	-	69,380,000	(69,380,000)	-
TOTAL	<u>13,250,059,544</u>	<u>3,477,595,851</u>	<u>(14,491,366,711)</u>	<u>2,236,288,684</u>
	<i>Beginning balance</i>	<i>Increase in the year</i>	<i>Decrease during the year</i>	<i>Ending balance</i>
Receivables				
Value added tax	100,225,729	16,701,780,266	(16,720,654,789)	81,351,205
TOTAL	<u>100,225,729</u>	<u>16,701,780,266</u>	<u>(16,720,654,789)</u>	<u>81,351,205</u>

14. OTHER SHORT-TERM PAYABLES

<i>Currency: VND</i>		
	<i>Ending balance</i>	<i>Beginning balance</i>
Social insurance, health insurance and unemployment insurance	16,680,361,853	13,036,899,067
Trade union fee	388,809,126	475,045,141
Other payables	681,612,676	3,663,883,405
TOTAL	<u>17,750,783,655</u>	<u>17,175,827,613</u>

Vietnam Fortress Tools Joint Stock Company

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

15. LOANS

Currency: VND

	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)	414,892,426,469	414,892,426,469	832,007,083,207	(727,715,432,263)	(6,122,738,167)	513,061,339,246	513,061,339,246
Loans from related parties (Note 15.2)	35,378,757,000	35,378,757,000	7,900,000,000	(5,350,000,000)	-	37,928,757,000	37,928,757,000
Current portion of long-term loans from bank (Note 15.3)	28,345,622,275	28,345,622,275	36,311,966,721	(28,297,113,398)	(48,503,861)	36,311,971,737	36,311,971,737
TOTAL	478,616,805,744	478,616,805,744	876,219,049,928	(761,362,545,661)	(6,171,242,028)	587,302,067,983	587,302,067,983
Long-term							
Loans from banks (Note 15.3)	58,375,550,613	58,375,550,613	30,174,179,325	(36,311,966,721)	(293,249,204)	51,944,514,013	51,944,514,013
TOTAL	58,375,550,613	58,375,550,613	30,174,179,325	(36,311,966,721)	(293,249,204)	51,944,514,013	51,944,514,013

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

15. LOANS (continued)

15.1 Short-term loans from banks

Banks	Contract No.	Ending balance		Principal and interest repayment term	Interest rate per annum	Description of collateral
		(VND)	Original currency (USD)			
Ho Chi Minh City Investment and Development Joint bank - Thai Binh Branch	16167/20MB/HBTD 16167.01/20 MB7HBTD 8434.03/19M B/HBTD	287,893,619,895	12,425,275	Interest is payable monthly at the end of each month. Principal is payable from 18 February 2021 to 24 September 2021 according to each agreement.	2.8% - 5.0%	The real estate Lot B8 + B9 + B10 of the Company with the amount of VND 120,500,000,000, debt claims, receivables and inventories of the Company; The property of Garden Pals Company Limited with the amount of VND 33,500,000,000; and Deposit with the term of 6 months with the amount of VND 4,800,000,000 of the Company and the deposit with the amount of VND 8,115,000,000 of Mrs. Nguyen Bich Hong.
Military Commercial Joint Stock Bank – Thai Binh Branch	15.20.755.23 63518.TD	80,162,918,313	3,456,043	Interest is payable monthly on 25th. Principal is payable from 30 January 2021 to 15 June 2021 according to each agreement.	4.0%	All plant tools, gardening equipment at Lot E3 + E3' in Phuc Khanh Industrial Park owned by the Company, including: - Deposit with the term of 12 months with the amount of VND 12,092,883,708, deposit with the term of 3 months with the amount of VND 2,663,050,371 of the Company and the deposit with the term of 3 months with the amount of VND 42,253,091,612 of Mr Hsu Ting Hsin.
Tien Phong Commercial Joint Stock Bank	87/2020/HD TD/HNI/02 87/2020/HD TD/HNI/01 87/2020/HD TD/HNI/01/S DBS/02	145,004,801,038	6,253,441	Interest is payable monthly on 26th. Principal is payable from 14 February 2021 to 24 September 2021 according to each agreement.	4.2% - 4.8%	Assets of Bach Hoa Phuc Khanh Co., Ltd. with the amount of VND 36,220,000,000, deposit with the term of 6 months with the amount of VND 12,183,122,861 of the Company, deposit with the term of 3-6 months with the amount of VND 19,112,568,532 of Mrs. Nguyen Bich Hong and the deposit with the amount of VND 23,000,000,000 of Khai Phat Dai Tin Co., Ltd debt claims, receivables, machines and equipment with the amount of VND 54,566,124,102 and inventories of the Company.
TOTAL		513,061,339,246	22,134,759			

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NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

15. LOANS (continued)

15.2 Short-term loans from related parties

Lenders	Ending balance	Principal and interest repayment term	Interest rate per annum	Description of collateral
Fortune Industrial Park Development Co., Ltd.	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	13,300,000,000 10,000,000,000	Principal and interest are payable on 30 June 2021 Principal and interest are payable on 30 June 2021	6.0% 6.0%	None None
Garden Pals Co., Ltd.	5,461,600,000	Principal and interest are payable on 2 June 2021	6.0%	None
Mrs. Duong Thi Thom	6,760,000,000	Principal and interest are payable from 10 April 2021 to 4 May 2021	5.0%-7.5%	None
Mrs. Nguyen Bich Hong	150,000,000	Principal and interest are payable on 15 March 2021.	0%	None
TOTAL	37,928,757,000			

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

15. LOANS AND FINANCE LEASES (continued)

15.3 Long-term loans from banks

Bank	Contract's No.	Ending balance		Principal and interest repayment term	Interest rate per annum	Description of collateral
		(VND)	Original currency (USD)			
Ho Chi Minh City Investment and Development Joint Stock Commercial bank - Thai Binh Branch	8434.02/19M B/HBTD	432,719,663	-	Interest is payable monthly at the end of each month. Principal is payable quarterly from 10 January 2021.	10.67% - 10.92%	The real estate Lot B8 + B9 + B10 of the Company with the amount of VND 120,500,000,000.
Military Commercial Joint Stock Bank – Thai Binh Branch	2893.17.755 2363518.TD 2893.17.755. 2363518.TD. PL1	16,502,332,096	711,461	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 2021.	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 with the amount of USD 1,755,485.9.
The Shanghai Commercial and Savings bank - Dong Nai Branch	2893.17.755. 2363518.TD 2893.17.755. 2363518.TD. PL1	13,510,713,819	-	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 2021.	10.9% - 11.4%	
	67001081100 80	57,810,720,172	2,495,606	Interest is payable monthly on the 30 th . Principal is payable quarterly on the 30 th at the end of the quarter from 30 January 2021 to 30 April 2024.	2.3 - 3.4%	Machinery and equipment formed from the loan and deposit with term of 6 months with the amount of VND 13,061,775,890 of the Company.
TOTAL		88,256,485,750	3,207,067			
<i>In which:</i>						
- Current portion		36,311,971,737				
- Long-term loans		51,944,514,013				

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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>806,341,550</u>
TOTAL	<u>806,341,550</u>	<u>806,341,550</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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	148,621,259,858	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
Current year					
Beginning balance	268,078,350,000	148,621,259,858	13,867,172,615	331,871,177,268	762,437,959,741
Profit for the year	-	-	-	19,536,385,627	19,536,385,627
Appropriation to investment and development fund (*)	-	-	976,819,281	(976,819,281)	-
Appropriation to welfare and bonus fund (*)	-	-	-	(586,091,569)	(586,091,569)
Ending balance	268,078,350,000	148,621,259,858	14,843,991,896	349,844,652,045	781,388,253,799

(*) 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. 2506/2020/NQ-DHDCD dated 25 June 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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
Share 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 (2019: VND 10,000/share).

18. OFF BALANCE SHEET ITEMS

	Ending balance	Beginning balance
Foreign currency		
- USD	278,764.60	46,156.45
- EUR	248.36	261.40

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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	653,049,724,462	822,359,205,711
<i>In which:</i>		
<i>Sales of finished goods</i>	641,687,815,587	813,786,612,077
<i>Sales of scrap and tools</i>	11,361,908,875	8,572,593,634
Net revenue	653,049,724,462	822,359,205,711
<i>In which:</i>		
<i>Sales to other parties</i>	337,907,119,046	86,284,762,458
<i>Sales to related parties (Note 26)</i>	315,142,605,416	736,074,443,253

19.2 Finance income

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Interest income	2,062,940,000	778,320,787
Foreign exchange gains	7,260,222,084	3,698,055,397
TOTAL	9,323,162,084	4,476,376,184

20. COST OF GOODS SOLD

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Cost of finished goods sold	540,655,606,642	640,100,326,993
Provision for obsolete inventories	7,153,597,248	-
TOTAL	547,809,203,890	640,100,326,993

21. FINANCE EXPENSES

	<i>Currency: VND</i>	
	<i>Current year</i>	<i>Previous year</i>
Loan interest	31,901,324,709	24,164,937,356
Foreign exchange losses	2,710,796,046	1,101,620,758
TOTAL	34,612,120,755	25,266,558,114

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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	1,373,795,044	1,401,335,155
Others	14,711,345,483	11,900,520,900
TOTAL	16,085,140,527	13,301,856,055
General and administrative expenses		
Labor costs	16,462,818,427	20,224,043,834
Expenses for external services	12,228,881,482	12,551,713,577
Depreciation and amortization	2,486,871,204	3,424,386,793
Others	3,556,884,955	2,754,823,102
TOTAL	34,735,456,068	38,954,967,306

23. OTHER INCOME AND EXPENSES

	<i>Currency: VND</i>	
	<i>Curent year</i>	<i>Previous year</i>
Other income	203,956,489	17,933,190
Other income	203,956,489	17,933,190
Other expenses	7,438,441,461	4,349,215,336
Penalty	2,704,865,125	3,245,793,144
Expenses for writing off long-out receivables and advances	3,867,263,921	-
Other expenses	866,312,415	1,103,422,192
OTHER LOSSES	(7,234,484,972)	(4,331,282,146)

24. PRODUCTION AND OPERATING COSTS

	<i>Currency: VND</i>	
	<i>Curent year</i>	<i>Previous year</i>
Materials	509,321,800,565	423,219,059,946
Labour costs	160,251,503,330	179,985,707,912
Depreciation and amortization	45,686,526,870	40,457,780,331
Expenses for external services	93,925,475,204	94,050,060,101
Other expenses	3,559,920,360	2,772,671,866
TOTAL	812,745,226,329	740,485,280,156

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

25. CORPORATE INCOME TAX

Original project: Manufacturing gardening accessories

The corporate income tax rate ("CIT") applicable to the Company is 20% of taxable profits.

The project expansion No 1: Manufacturing gardening accessories

The Company is 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 this expansion project for the year 2020 is 0%.

The project expansion No 2: Manufacturing wooden toys

The Company is 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 2020) and a 50% reduction of the applicable CIT tax rate for the following 4 years. Accordingly, the applicable CIT tax rate of this expansion project for the year 2020 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	1,957,445,366	12,901,381,284
Deferred tax expense/(income)	402,649,341	(1,495,620,795)
TOTAL	<u>2,360,094,707</u>	<u>11,405,760,489</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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	21,896,480,334	104,880,591,281
<i>In which:</i>		
<i>Profit from the original project</i>	19,721,722,820	63,779,410,444
<i>Profit from the project expansion No 1</i>	15,157,722,226	47,172,482,373
<i>Loss from the project expansion No 2</i>	(12,982,964,712)	(6,071,301,536)
CIT at tax rate applicable to the Company		
<i>At CIT rate of 20% from original project</i>	3,944,344,564	12,755,882,089
<i>Adjustments to increase:</i>		
Administrative fines	258,608,682	374,292,337
Expenses for writing off bad receivables and advances	437,329,820	-
Non-deductible expenses	145,238,188	522,035,485
Other adjustments	179,944,626	8,193,751,412
<i>Adjustments to decrease:</i>		
Tax exemption	(2,605,371,173)	(10,440,200,834)
CIT expenses	<u>2,360,094,707</u>	<u>11,405,760,489</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 2020 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	-	-
Provision for severance allowance	161,268,310	161,268,310	-	26,484,755
Unrealized foreign exchange loss of cash and account receivables of previous year	-	673,035,627	(673,035,627)	673,035,627
Unrealized foreign exchange loss of cash and account receivables of current year	270,386,286	-	270,386,286	-
	<u>1,266,148,674</u>	<u>1,668,798,015</u>	<u>(402,649,341)</u>	<u>699,520,382</u>
<i>Deferred tax liabilities</i>				
Unrealized foreign exchange gain of cash and account receivables	-	-	-	796,100,413
	<u>1,266,148,674</u>	<u>1,668,798,015</u>		
<i>Net deferred tax assets</i>				
<i>Net deferred tax (expense)/income in the income statement</i>			<u>(402,649,341)</u>	<u>1,495,620,795</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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 2020 and 31 December 2019 were as follows:

<i>Currency: VND</i>				
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Current year</i>	<i>Previous year</i>
Formosa Tools Co., Ltd.	Investor	Sales of goods	261,484,057,409	-
		Purchase of materials	496,639,291,003	-
		Purchase of fixed assets	9,217,655,919	-
		Purchase of tools and equipment	7,404,541,013	-
		Net-off receivables	5,389,005,856	-
Joy Wish Inc.	Common management	Sales of goods	12,232,496,031	539,124,299,114
Golden Hype Co., Ltd.	Common management	Purchase of materials	4,533,933,478	314,920,174,339
		Purchase of fixed assets	35,763,714,112	56,512,097,360
		Purchase of tools and equipment	309,298,662	-
		Sales of goods	-	973,236,919
Great Reward Co., Ltd.	Related party	Sale of goods	-	138,192,917,535
FT Ostermann GMBH Co., Ltd.	Related party	Sale of goods	41,426,051,976	57,783,989,685
		Purchase of goods	129,823,626	81,552,780
Wisdom Co., Ltd	Related party	Purchase of goods	2,294,576,455	16,761,212,592
Garden Pals Co., Ltd..	Related party	Principal paid	-	4,500,000,000
		Purchase services	2,595,646,598	2,470,132,821
		Interest paid	328,593,798	563,814,313
		Warehouse rental fee	282,000,000	423,000,000
Khai Phat Dai Tin JSC	Related party	Purchase of goods	1,659,244,224	1,554,003,844
		Loan interest	1,401,830,138	1,398,000,000
		Interest on late payment for infrastructure rental	1,236,041,924	-
Bach hoa Phuc Khanh Co., Ltd.	Related party	Purchase of goods	1,274,533,428	737,019,358
Mrs. Duong Thi Thom	Member of management	Short-term loan	2,700,000,000	8,835,000,000
		Principal paid	300,000,000	4,475,000,000
		Interest paid	309,323,836	185,438,630
Mrs. Nguyen Bich Hong	Chief Financial Officer	Short-term loan	4,800,000,000	-
		Principal paid	4,650,000,000	-
		Interest paid	47,345,205	-
Mr. Hsu Ting Hsin	Member of management	Short-term loan	400,000,000	-
		Principal paid	400,000,000	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

26. TRANSACTIONS WITH RELATED PARTIES (continued)

In addition to these transactions, related parties also provide 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 2020, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2019: 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.

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

Currency: VND

<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term trade receivables (Note 6.1)				
Formosa Tools Co., Ltd.	Investor	Sale of goods	152,013,606,550	-
FT Ostermann GMBH Co., Ltd.	Related party	Sale of goods	44,060,335,168	36,933,724,191
Great Reward Co., Ltd.	Related party	Sale of goods	17,870,299,788	164,012,142,387
Joy Wish Inc.	Common management	Sale of goods	10,960,455,393	269,584,813,980
Golden Hype Co., Ltd.	Common management	Sale of goods	24,856,554	24,959,178
TOTAL			224,929,553,453	470,555,639,736
Short-term trade payables (Note 12.1)				
Formosa Tools Co., Ltd.	Investor	Purchase of goods	58,022,165,307	-
Khai Phat Dai Tin JSC	Related party	Management and water fee and infrastructure rental	7,264,618,024	4,463,800,764
Garden Pals Co., Ltd.	Related party	Factory rental and processing fee	5,517,469,186	2,858,966,431
Golden Hype Co., Ltd.	Common management	Material and machine purchasing	4,038,013,714	122,930,113,490
Bach hoa Phuc Khanh Co., Ltd.	Related party	Purchase of goods	1,729,549,018	1,349,575,407
FT Ostermann GMBH Co., Ltd.	Related party	Material and machine purchasing	129,265,709	-
Wisdom Company Limited	Related party	Material and machine purchasing	-	16,741,959,551
TOTAL			76,701,080,958	148,344,415,643

Loans from related parties are disclosed in Note 15.2.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

26. TRANSACTIONS WITH RELATED PARTIES (continued)

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

Currency: VND

Name	Position	Remuneration	
		Current year	Previous year
Board of Management			
Mr. Hsu Ting Hsin	Chairman	420,795,600	406,756,400
Mr. Hsu Wei Chun	Member	106,074,800	88,233,000
Ms. Hsu Yu Min	Member	-	-
Ms. To Thi Phuong Lan	Member	-	-
Mr. Liang Tung Hsing	Member	-	-
Ms. Le Thi Thu Hang	Member	-	-
Mr. Tsai Jer – Shyong	Independent member	-	539,417,224
Mr. Carl Ronald Gordon	Independent member	269,508,325	418,026,531
Mr. Tsai Hsien Hao	Independent member	-	-
TOTAL		796,378,725	1,452,433,155
Board of Directors			
Mr. Hsu Ting Hsin	Chief Executive Officer	246,920,600	406,756,400
Mr. Hsu Wei Chun	Chief Executive Officer	106,074,800	88,233,000
Mr. Kuo Hsien Cheng	Deputy Chief Executive Officer	221,230,900	327,118,850
Mr. Hsu Christopher Tony	Deputy Chief Executive Officer	234,008,200	116,515,100
Mr. Mu Hong Tao	Deputy Chief Executive Officer	198,633,700	146,171,060
Mr. Yiu Xi Fung	Deputy Chief Executive Officer	135,757,400	104,374,600
Ms. Duong Thi Thom	Deputy Chief Executive Officer	326,714,600	298,964,800
TOTAL		1,469,340,200	1,488,133,810

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

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	19,536,385,627	93,474,830,792
Appropriation to welfare and bonus fund	(586,091,569)	(2,657,394,195)
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	<u>18,950,294,058</u>	<u>90,817,436,597</u>
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	<u>26,807,835</u>	<u>26,807,835</u>
- <i>Basic earnings</i>	<i>707</i>	<i>3,388</i>
- <i>Diluted earnings</i>	<i>707</i>	<i>3,388</i>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2020 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:

	Currency: VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	609,496,742	610,843,459
From 1 to 5 years	2,437,986,970	2,443,373,837
More than 5 years	16,469,770,878	17,118,678,751
TOTAL	<u>19,517,254,590</u>	<u>20,172,896,047</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 Tuyet Mai
Preparer



Nguyen Thi Cam Van
Chief Accountant



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CÔNG TY
CỔ PHẦN
CÔNG NGHIỆP HẬU LÂM
FORTRESS
VIỆT NAM
TP. THÁI BÌNH

Hsu Ting Hsin
Chief Executive Officer

5 February 2021