

AN CUONG WOOD-WORKING JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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AN CUONG WOOD-WORKING JOINT STOCK COMPANY

CORPORATE INFORMATION

Enterprise Registration Certificate

No. 370074813 dated 20 September 2006.

The initial Enterprise Registration Certificate No. 370074813 dated 20 September 2006 and its subsequent amendments which were issued by the Department of Planning and Investment of Binh Duong. The latest Enterprise Registration Certificate No. 370074813 dated 14 January 2019.

Board of Directors

Mr. Le Duc Nghia	Chairman
Mr. Nguyen Minh Tuan	Member
Ms. Dang Pham Minh Loan	Member
Ms. Tran Thi Mong Thu	Member
Mr. Masao Kamibayashiyama	Member (appointed from 10.5.2019)
Mr. Masami Kitahashi	Member (resigned from 10.5.2019)
Mr. Tran Bao Minh	Independent Member

Board of Management

Mr. Le Duc Nghia	General Director
Ms. Thieu Thi Ngoc Diem	Chief Accountant

Board of Supervisors

Ms. Tran Thi Ngoc Tue	Head
Ms. Tran Thi Kim Anh	Member
Ms. Mai Thi Phuong Thao	Member

Legal representative

Mr. Le Duc Nghia	Chairman cum General Director
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Registered office

Land plot No. 681, Map No. 5, DT 747B Phuoc Hai Street, Phuoc Hai Town, Thai Hoa Ward, Tan Uyen District, Binh Duong Province, Viet Nam

Auditor

PwC (Vietnam) Limited

AN CUONG WOOD-WORKING JOINT STOCK COMPANY

STATEMENT OF RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE COMPANY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENT

The Board of Management of An Cuong Wood-Working Joint Stock Company ("the Company") is responsible for preparing the consolidated financial statements of the Company and its subsidiaries (together, the "Group") which gives a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and the consolidated results of its operations and consolidated cash flows for the year ended. In preparing these consolidated financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Group and which enable consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the consolidated financial statements. The Board of Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud or errors.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements as set out on pages 5 to 40 which gives a true and fair view of the financial position of the Group as at 31 December 2019 and of the consolidated results of its operations and consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

On behalf of the Board of Management



Le Duc Nghia
General Director

Binh Duong, SR Vietnam
23 March 2020



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AN CUONG WOOD-WORKING JOINT STOCK COMPANY

We have audited the accompanying consolidated financial statement of An Cuong Wood-Working Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which were prepared on 31 December 2019 and approved by the Board of Management on 23 March 2020. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 9 to 40.

The Board of Management's Responsibility

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of consolidated financial statements that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and true and fair presentation of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Auditor's Opinion

In our opinion, the consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements.

Other Matters

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of PwC (Vietnam) Limited

Quach Thanh Chau
Audit Practising Licence No:
0875-2018-006-1
Authorised signatory

Nguyen Vu Anh Tuan
Audit Practising Licence No.
3631-2017-006-1

Report reference number: HCM8952
Ho Chi Minh City, 23 March 2020

AN CUONG WOOD-WORKING JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2019 VND	2018 VND
100	CURRENT ASSETS		3,105,046,589,189	2,573,383,275,411
110	Cash and cash equivalents	3	65,461,661,002	32,331,088,573
111	Cash		54,061,661,002	32,331,088,573
112	Cash equivalents		11,400,000,000	-
120	Short-term investment		961,245,044,955	479,500,000,000
123	Investments held to maturity	4(a)	961,245,044,955	479,500,000,000
130	Short-term receivables		687,239,888,913	577,262,841,105
131	Short-term trade accounts receivable	5	613,349,471,702	496,571,221,055
132	Short-term prepayments to suppliers	6	35,152,427,479	60,957,239,224
136	Other short-term receivables	7	47,130,636,434	22,118,887,388
137	Provision for doubtful debts – short term	8	(10,738,472,958)	(3,011,123,011)
139	Shortage of assets awaiting resolution		2,345,826,256	626,616,449
140	Inventories	9	1,319,951,979,677	1,386,802,158,791
141	Inventories		1,333,953,241,919	1,388,656,774,059
149	Provision for decline in value of inventories		(14,001,262,242)	(1,854,615,268)
150	Other current assets		71,148,014,642	97,487,186,942
151	Short-term prepaid expenses	10(a)	26,980,575,520	30,952,452,478
152	Value Added Tax (VAT) to be reclaimed		38,021,291,916	61,221,220,880
153	Tax and other taxes receivable from the State	15(a)	6,146,147,206	5,313,513,584
200	NON-CURRENT ASSETS		1,074,399,678,909	995,445,427,216
210	Long-term receivable		2,157,927,000	1,486,727,000
216	Other long-term receivables		2,157,927,000	1,486,727,000
220	Fixed assets		727,923,936,361	735,259,468,743
221	Tangible fixed assets	11(a)	707,928,769,570	713,639,267,401
222	Historical cost		992,164,123,312	916,346,644,549
223	Accumulated depreciation		(284,235,353,742)	(202,707,377,148)
227	Intangible fixed assets	11(b)	19,995,166,791	21,620,201,342
228	Historical cost		28,070,583,941	26,735,635,891
229	Accumulated amortisation		(8,075,417,150)	(5,115,434,549)
240	Long-term asset in progress		1,284,804,836	23,117,271,830
242	Construction in progress	12	1,284,804,836	23,117,271,830
250	Long-term investment		83,000,000,000	-
255	Investments held to maturity	4(b)	83,000,000,000	-
260	Other long-term assets		260,033,010,712	235,581,959,643
261	Long-term prepaid expenses	10(b)	253,407,953,245	235,291,687,635
262	Deferred income tax assets	20	6,625,057,467	290,272,008
270	TOTAL ASSETS		4,179,446,268,098	3,568,828,702,627

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
 (continued)

Code	RESOURCES	Note	As at 31 December	
			2019 VND	2018 VND
300	LIABILITIES		808,737,916,632	1,018,929,600,100
310	Current liabilities		806,390,976,632	1,018,929,600,100
311	Short-term trade accounts payable	13	254,254,945,820	294,301,981,306
312	Short-term advances from customers	14	173,032,530,318	203,486,312,024
313	Tax and other payables to the State	15(b)	42,428,084,222	68,090,128,685
314	Payables to employees	16	79,913,812,627	76,378,908,356
315	Short-term accrued expenses	17	32,978,212,314	36,795,763,560
319	Other short-term payables		1,357,671,310	2,416,202,099
320	Short-term borrowings	18	221,431,332,215	328,807,204,070
322	Bonus and welfare funds		994,387,806	8,653,100,000
330	Long-term liability		2,346,940,000	-
342	Provision for long-term liability	19	2,346,940,000	-
400	OWNERS' EQUITY		3,370,708,351,466	2,549,899,102,527
410	Capital and reserves		3,370,708,351,466	2,549,899,102,527
411	Owners' capital	21, 22	859,380,830,000	803,160,690,000
411a	- Ordinary shares with voting rights		859,380,830,000	803,160,690,000
412	Share premium	22	1,408,471,865,056	826,008,726,600
415	Treasury shares	22	(16,000,000)	(16,000,000)
418	Investment and development funds	22	22,829,452,785	7,673,760,702
421	Undistributed earnings	22	1,080,042,203,625	913,071,925,225
421a	- Undistributed post-tax profits of previous years		748,345,670,136	611,042,879,096
421b	- Post-tax profit of the current year		331,696,533,489	302,029,046,129
440	TOTAL RESOURCES		4,179,446,268,098	3,568,828,702,627

 Nguyen Tan Trong
 Preparer

 Thieu Thi Ngoc Diem
 Chief Accountant

 Le Duc Nghia
 General Director
 23 March 2020

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2019 VND	2018 VND
01	Revenue from sales of goods and rendering of services	4,479,882,587,367	3,908,085,937,778
02	Less deductions	(45,312,834,959)	(35,093,877,662)
10	Net revenue from sales of goods and rendering of services	4,434,569,752,408	3,872,992,060,116
11	Cost of goods sold and services rendered	(3,332,465,646,913)	(2,704,715,320,183)
20	Gross profit from sales of goods and rendering of services	1,102,104,105,495	1,168,276,739,933
21	Financial income	79,346,595,304	36,846,908,684
22	Financial expenses	(19,718,789,117)	(17,691,117,201)
23	- Including: Interest expense	(16,821,133,204)	(11,847,000,160)
25	Selling expenses	(482,912,415,593)	(427,309,937,209)
26	General and administration expenses	(129,303,687,159)	(111,630,597,063)
30	Net operating profit	549,515,808,930	648,491,997,144
31	Other income	9,510,230,330	14,309,875,756
32	Other expenses	(4,553,975,187)	(8,797,223,513)
40	Net other income	4,956,255,143	5,512,652,243
50	Net accounting profit before tax	554,472,064,073	654,004,649,387
51	Business income tax (BIT) - current	(74,424,646,643)	(148,509,428,635)
52	BIT - deferred	6,334,785,459	(305,484,623)
60	Net profit after tax	486,382,202,889	505,189,736,129
	Attributable to:		
61	Profit after tax of the Company	486,382,202,889	505,189,736,129
62	Profit after tax of minority shareholders	-	-
70	Basic earnings per share	5,673	6,049
71	Diluted earnings per share	5,673	6,049

Nguyen Tan Trong
Preparer

Thieu Thi Ngoc Diem
Chief Accountant

Le Duc Nghia
General Director
23 March 2020

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2019 VND	2018 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		554,472,064,073	654,004,649,387
	Adjustments for:		
02	Depreciation and amortisation	108,856,569,672	68,865,309,782
03	Provisions/(reversals of provisions)	22,220,936,921	(647,047,304)
04	Unrealised foreign exchange gains	(455,784,356)	(436,062,142)
05	Profits from investing activities	(66,262,750,671)	(30,328,684,947)
06	Interest expense	16,821,133,204	11,847,000,160
08	Operating profit before changes in working capital	635,652,168,843	703,305,164,936
09	Increase in receivables	(72,373,763,194)	(97,721,993,286)
10	Decrease/(increase) in inventories	54,703,532,140	(379,633,724,127)
11	(Decrease)/increase in payables	(79,380,887,211)	36,154,868,459
12	Increase in prepaid expenses	(9,096,677,484)	(44,344,273,053)
14	Interest paid	(16,821,133,204)	(11,847,000,160)
15	BIT paid	(92,161,661,998)	(132,593,523,085)
17	Other payments on operating activities	(36,918,199,000)	(28,963,948,505)
20	Net cash inflows from operating activities	383,603,378,892	44,355,571,179
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(91,848,792,307)	(458,856,570,298)
22	Proceeds from disposals of fixed assets	3,127,248,413	58,181,818
23	Lending, investment held to maturity	(2,157,745,044,955)	(952,099,909,723)
24	Collection of lending, investment held to maturity	1,593,000,000,000	1,026,399,909,723
27	Interest received	46,365,014,349	32,425,451,595
30	Net cash outflows from investing activities	(607,101,574,500)	(352,072,936,885)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issue of shares	638,683,278,456	13,239,130,000
32	Payments for share repurchases	-	(16,000,000)
33	Proceeds from short-term borrowings	936,722,867,921	1,070,670,509,101
34	Repayments of short-term borrowings	(1,043,746,208,537)	(837,773,345,033)
36	Dividends paid	(274,996,745,600)	-
40	Net cash inflows from financing activities	256,663,192,240	246,120,294,068
50	Net increase/(decrease) in cash	33,164,996,632	(61,597,071,638)
60	Cash and cash equivalents at beginning of year	32,331,088,573	93,929,719,530
61	Effect of foreign exchange differences	(34,424,203)	(1,559,319)
70	Cash and cash equivalents at end of year	65,461,661,002	32,331,088,573

Nguyen Tan Trong
Preparer

Thieu Thi Ngoc Diem
Chief Accountant

Le Duc Nghia
General Director
23 March 2020

The notes on pages 9 to 40 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1 GENERAL INFORMATION OF THE GROUP

An Cuong Wood-Working Joint Stock Company (“the Company”) is a joint stock company established in SR Vietnam pursuant to the initial Enterprise Registration Certificate No.3700748131 dated 20 September 2006 which was issued by the Department of Planning and Development of Binh Duong Province and the latest amendment was dated 14 January 2019.

The owners of the Company include NC Viet Nam Investment Ltd., Whitlam Holding Pte. Ltd., Sumimoto Forestry (Singapore) Ltd. and other shareholders. Details of capital contribution are presented in Note 21.

The principal activity of the Group is to manufacture and trade wooden household, industrial wooden items, artificial boards, interior decoration, kitchen equipment, and other wooden related products.

As at 31 December 2019 and as at 31 December 2018, the Group had two direct subsidiaries and one indirect subsidiary with the following details:

Name	Principal activity	Place of incorporation and operation	2019		2018	
			Ownership (%)	Voting right (%)	Ownership (%)	Voting right (%)
Malloca Vietnam Company Limited	Trade Malloca-brand kitchen appliances	Ho Chi Minh City	100	100	100	100
An Cuong Wood-Working Manufacturing Company Limited	Manufacture and trade wooden products	Binh Duong Province	100	100	100	100
AConcept Vietnam Company Limited	Wholesale and retail of interiors and interior decoration	Ho Chi Minh City	100	100	100	100

The normal business cycle of the Company and its subsidiaries (together, “the Group”) is within 12 months.

As at 31 December 2019, the Group had 3,642 employees (as at 31 December 2018: 4,138 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements. The consolidated financial statements have been prepared under the historical cost convention except for investments in associates and joint ventures, and business combination as presented in Note 2.5.

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

The consolidated financial statements in the Vietnamese language are the official statutory consolidated financial statements of the Group. The consolidated financial statements in the English language have been translated from the Vietnamese version.

2.2 Fiscal year

The Group's fiscal year is from 1 January to 31 December.

2.3 Currency

The consolidated financial statements are measured and presented in Vietnamese Dong ("VND"). The Group determines its accounting currency based on the currency which is mainly used in sales of goods and rendering of services, which has a significant impact on selling prices of goods and services, which is normally used for list selling prices and receive payments; which is mainly used in purchases of goods or services, which has a significant impact on cost of labor, material and other production or operating costs and normally used as payment of those costs.

Additionally, the Group and its subsidiaries also use these currencies to raise financial resources (such as via issuance of shares or bonds) and/or regularly collect these currencies from business operation and savings.

2.4 Exchange rates

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the consolidated income statement.

Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Group regularly trades. Foreign currencies deposited in banks at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Group opens its foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies in order to gain future benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

In a multi-phase acquisition, when determining goodwill or bargain purchase, the consideration is the sum of the total consideration on the date of acquiring control and previous considerations remeasured to fair value on the date of control acquisition.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The financial statements of the Group's subsidiaries are prepared for the same accounting period. If there are differences in end dates, the gap must not exceed 3 months. Adjustments are made to reflect impacts of significant transactions and events occurring between the end dates of the subsidiaries' accounting period and that of the Group's. The length of the reporting period and differences in reporting date must be consistent between periods.

2.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank, cash in transit and other short-term investments with an original maturity of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Receivables

Receivables represent trade receivables from customers arising from sales of goods and rendering of services or non-trade receivables from others and are stated at cost. Provision for doubtful debts is made for each outstanding amount based on the expected loss that may arise. Bad debts are written off when identified.

Receivables are classified into long-term and short-term receivables on the consolidated balance sheet based on the remaining period from the consolidated balance sheet date to the maturity date.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The Group applies the perpetual system for inventories

Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period are recognised as an increase or decrease of cost of goods sold in the year.

2.9 Investments held-to-maturity

Investments held-to-maturity are investments which the Group's Board of Management has positive intention and ability to hold until maturity.

Investments held-to-maturity include term deposits for interest earning. Those investments are accounted for at cost. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for diminution in value of investments held-to-maturity is made when there is evidence that the investment is uncollectible in whole or in part. Changes in the provision balance during the accounting fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Fixed assets***Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets bringing them to their suitable conditions for their intended use. Expenditure incurred subsequently which has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, can be capitalised as an additional historical cost. Otherwise, they are charges to the income statement when incurred.

Depreciation and amortisation

Fixed assets are depreciated/amortised using the straight-line method so as to write off the historical cost of the fixed assets over their estimated useful lives or over the term of the Enterprise registration certificate. The principal annual rates of each asset class are as follows:

Plant and buildings	3% - 33%
Machinery	8% - 100%
Motor vehicles	6% - 50%
Office equipment	13% - 33%
Others	6% - 50%
Land use rights	3%
Software	13% - 50%

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the fixed assets and are recognised as income or expense in the consolidated income statement.

Construction in progress

Construction in progress represents the cost of asset in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, including construction costs; costs of tools and equipments; project management expenditures; construction consulting expenditures; and capitalised borrowing costs for qualifying assets in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

2.11 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.12 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the consolidated balance sheet, which mainly include long-term land rentals, office rentals, tools and equipment in use. Prepaid expenses are recorded at historical cost and allocated using the straight line basis over estimated useful lives.

Additionally, prepayments for land rental contracts, which are in effective after 2003, are also recorded as prepaid expenses in accordance with the guidance of Circular 45/2013/TT-BTC dated 25 April 2013 issued by Ministry of Finance and and allocated using the straight-line method from 40 to 50 years in accordance with such land use right certificates.

2.13 Payables

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables are non-trade payables, and not relating to purchase of goods and services.

Payables are classified into long-term and short-term payables on the consolidated balance sheet based on remaining period from the balance sheet date to the maturity date.

2.14 Borrowings

Short-term borrowings include borrowings from banks.

Borrowings are classified into long-term and short-term borrowings on the consolidated balance sheet based on remaining period from the consolidated balance sheet date to the maturity date.

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. In respect of general-purpose borrowings, a portion of which used for the purpose of construction or production of any qualifying assets, the Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the weighted average expenditure on that assets. The capitalisation rate is the weighted average of the interest rates applicable to the Group's borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised in the consolidated income statement when incurred.

2.15 Accrued expenses

Accrued expenses include liabilities for goods and services received in the year but not yet paid for due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a financial expense. Changes in the provision balance during the accounting fiscal year are recorded as an increase or decrease in operating expenses.

2.17 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Group less the period during which the employee participates the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Group.

The severance allowance is accrued at the end of the reporting period, on the basis that a half of an average monthly salary per each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the six-month period prior to the consolidated balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in according with current regulations.

2.18 Capital and reserves

Owners' capital of the Shareholders is recorded according to the actual amount contributed and is recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought-back by itself, but these are not cancelled and may be re-issued subsequently in accordance with the Law on securities.

Undistributed earnings record the Group's results profit after BIT at the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Appropriation of profit**

Dividend is recognised as a liability in the consolidated financial statements in the year in which the dividend is approved by the General Meeting of Shareholders.

Profit after BIT could be distributed to Shareholders after approval at General Meeting of Shareholders, and after appropriation to other funds in accordance with the Company's charter and Vietnamese regulations.

The Group's funds are as below:

(a) Bonus and welfare fund

The bonus and welfare fund is appropriated from profit after tax and subject to Shareholders' approval at the General Meeting of Shareholders. This fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of employees' benefits.

(b) Investment and development fund

Development and investment fund is appropriated from profit after tax and approved by Shareholders in the General Meeting of Shareholders. This fund is set aside for the use in expansion of its operation or in-depth investments.

2.20 Revenue recognition**(a) Revenue from sales of goods**

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised in accordance with the "substance over form" principle and allocated to each sales obligation. In case where the Group gives promotional goods to customers associated with the purchase, the Group allocates the total consideration received between goods sold and promotional goods. The cost of promotional goods is recognised as cost of sales in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

(b) Revenue from rendering of services

Revenue from rendering of services is recognised in the consolidated income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from rendering of services is only recognised when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The percentage of completion of the transaction at the consolidated balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

Income from dividend is recognised when the Group has established the receiving right from investees.

2.21 Sales deductions

Sales deductions include trade discounts, sales returns and sales allowances. Sales deductions incurred in the same year of the related revenue from sales of products, goods and rendering services are recorded as deduction of revenue of that year.

Sales deductions for sales of products, goods or rendering services which are sold in the year but are incurred after the balance sheet date but before the issuance of the consolidated financial statements are recorded as deduction of revenue of the year.

2.22 Cost of goods sold and services rendered

Cost of goods sold and services rendered are cost of finished goods, merchandises, materials sold or services rendered during the year, and recorded on the basis of matching with revenue and on prudent basis.

2.23 Financial expenses

Financial expenses are expenses incurred in the year for financial activities including expenses of lending and borrowing; losses incurred when selling foreign currencies; losses from foreign exchange differences' and payment discounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products, goods, and providing services, which mainly include publicity, display, promotions, advertising expenses, sale commissions, warranty charges of goods and products, maintenance charges, packaging, and transportation.

2.25 General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs; social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, provision for bad debts, outside services and other expenses.

2.26 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the consolidated balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, key management personnel, including the Board of Management of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Group considers the substance of the relationship not merely the legal form.

2.28 Segment reporting

A segment is a component which can be separated by the Group engaged in providing products or services ("business segment"), or providing products or services within a particular economic environment ("geographical segment"). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Group's business segment or the Group's geographical segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Group's consolidated financial statements in order to help users of financial statements understand and evaluate the Group's operations in a comprehensive way.

2.29 Accounting estimates

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting system and applicable regulations on preparation and presentation of consolidated financial statements requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the Board of Management's best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving significant estimates and assumptions are as follows:

- Estimated useful life of fixed assets (Note 11);
- Estimation of provisions (Note 8, 9, 19); and
- Accrued expenses (Note 17).

Such estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

3 CASH AND CASH EQUIVALENTS

	2019 VND	2018 VND
Cash on hand	705,876,302	488,006,104
Cash in bank	53,349,111,700	31,843,082,469
Cash in transit	6,673,000	-
Cash equivalents (*)	11,400,000,000	-
	<u>65,461,661,002</u>	<u>32,331,088,573</u>

(*) Cash equivalent as at 31 December 2019 were term deposits with an original maturity of three months or less, earned interest at the average rate from 0.5% to 5.0% per annum.

4 INVESTMENTS HELD-TO-MATURITY**(a) Short-term**

Short-term investments held-to-maturity are term deposits at commercial banks with original maturities of more than 3 months but less than 1 year and earn interest at the interest rate of 7.4% - 8.5% per annum (2018: 5.6% - 7.6% per annum).

(b) Long-term

Long-term investments held-to-maturity are term deposits at commercial banks with remaining maturity of more than 12 months and earn interest at the interest rate of 7.4% per annum.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2019 VND	2018 VND
Third parties	606,130,783,060	488,533,182,838
Related parties (Note 33(b))	7,218,688,642	8,038,038,217
	<u>613,349,471,702</u>	<u>496,571,221,055</u>

As at 31 December 2019 and 31 December 2018, the balances of short-term trade accounts receivable which were past due, amounting to VND21,425,821,370 and VND4,256,986,455 respectively, and represented in Note 8.

6 SHORT-TERM PREPAYMENT TO SUPPLIERS

	2019 VND	2018 VND
Third parties	35,152,427,479	60,957,239,224
	<u>35,152,427,479</u>	<u>60,957,239,224</u>

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7 OTHER SHORT-TERM RECEIVABLES

	2019 VND	2018 VND
Deposits	10,970,440,563	10,513,076,924
Interest income	31,552,585,571	7,701,586,819
Advances to employees	1,156,576,615	1,748,481,961
Others	3,451,033,685	2,155,741,684
	<u>47,130,636,434</u>	<u>22,118,887,388</u>

8 DOUBTFUL DEBTS

	2019			Number of overdue days
	Cost VND	Recoverable amount VND	Provision VND	
Receivables that were past due				
Sai Gon Shipyard Company Limited	2,144,622,095	5,874,660	2,138,747,435	Over 3 years
Hickory Group Pty Ltd.	2,639,637,591	791,891,277	1,847,746,314	Over 2 years
An Gia Hung Investment Construction Joint Stock Company	7,200,866,896	5,534,867,991	1,665,998,905	Over 6 months
China Construction Corporation Ltd.	2,251,016,309	1,125,508,154	1,125,508,155	Over 1 year
Hung Long Phat Investment And Construction Joint Stock Company	2,129,404,220	1,064,702,110	1,064,702,110	Over 1 year
Others	5,060,274,259	2,164,504,220	2,895,770,039	Over 6 months
	<u>21,425,821,370</u>	<u>10,687,348,412</u>	<u>10,738,472,958</u>	

	2018			Number of overdue days
	Cost VND	Recoverable amount VND	Provision VND	
Receivables that were past due				
Sai Gon Shipyard Company Limited	2,144,622,095	647,303,069	1,497,319,026	From 2 to 3 years
Construction and Development of Cities Limited Company	360,000,000	-	360,000,000	Over 3 years
Tan Hoang Thang Joint Stock Company	358,710,330	-	358,710,330	Over 3 years
Others	1,393,654,030	598,560,375	795,093,655	Over 6 months
	<u>4,256,986,455</u>	<u>1,245,863,444</u>	<u>3,011,123,011</u>	

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9 INVENTORIES

	2019		2018	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	50,762,029,157	-	74,658,060,843	-
Raw materials	564,291,742,718	(4,315,851,625)	523,417,115,348	(1,417,855,580)
Work in progress	325,733,406,850	(6,469,857,987)	428,978,385,311	(5,576,282)
Finished goods	202,806,315,414	(2,364,132,196)	178,023,166,617	(377,510,232)
Merchandise	190,359,747,780	(851,420,434)	183,580,045,940	(53,673,174)
	<u>1,333,953,241,919</u>	<u>(14,001,262,242)</u>	<u>1,388,656,774,059</u>	<u>(1,854,615,268)</u>

Movements in the provision for decline in value of inventories during the year are as follows:

	2019 VND	2018 VND
Beginning of year		
Increase (Note 27)	1,854,615,268	2,791,787,276
Reversal (Note 27)	12,146,646,974	-
	-	(937,172,008)
End of year	<u>14,001,262,242</u>	<u>1,854,615,268</u>

10 PREPAID EXPENSES

(a) Short-term

	2019 VND	2018 VND
Insurance	2,086,218,540	1,317,494,226
Tools and supplies	13,863,055,246	14,569,401,781
Rental	1,127,940,300	708,124,889
Advertising	864,067,697	1,769,254,121
Showroom and samples	4,443,765,734	8,782,401,393
Others	4,595,528,003	3,805,776,068
	<u>26,980,575,520</u>	<u>30,952,452,478</u>

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10 PREPAID EXPENSES (continued)

(b) Long-term

	2019 VND	2018 VND
Land rental	176,064,637,171	180,787,431,700
Office renovation	29,472,821,234	26,785,303,151
Tools and supplies	35,825,376,513	15,525,715,228
Rental	2,140,263,123	2,186,372,921
Others	9,904,855,204	10,006,864,635
	<u>253,407,953,245</u>	<u>235,291,687,635</u>

Movement of long-term prepayment during the year are as follows:

	2019 VND	2018 VND
Beginning of year	235,291,687,635	206,649,460,745
Increase	90,309,006,250	56,175,494,986
Allocation	(72,192,740,640)	(27,533,268,096)
End of year	<u>253,407,953,245</u>	<u>235,291,687,635</u>

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11 FIXED ASSETS

(a) Tangible fixed assets

	Plant and buildings VND	Machinery VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
Historical cost						
As at 1 January 2019	292,268,262,529	476,345,581,221	99,595,605,693	12,259,424,890	35,877,770,216	916,346,644,549
New purchases	22,071,283,649	37,049,706,633	14,391,989,001	1,860,127,323	-	75,373,106,606
Transfers from construction in progress (Note 12(b))	26,614,280,031	5,279,213,446	-	-	-	31,893,493,477
Disposals	(2,812,806,352)	(13,169,514,768)	(4,738,046,706)	(322,144,490)	(10,406,609,004)	(31,449,121,320)
As at 31 December 2019	338,141,019,857	505,504,986,532	109,249,547,988	13,797,407,723	25,471,161,212	992,164,123,312
Accumulated depreciation						
As at 1 January 2019	49,727,808,823	92,341,384,895	30,482,135,221	3,909,292,748	26,246,755,461	202,707,377,148
Charge for the year	30,239,207,676	57,775,456,652	12,507,999,522	2,927,631,673	2,446,291,548	105,896,587,071
Disposals	(2,297,814,720)	(9,617,727,946)	(2,178,181,634)	(330,251,339)	(9,944,634,838)	(24,368,610,477)
As at 31 December 2019	77,669,201,779	140,499,113,601	40,811,953,109	6,506,673,082	18,748,412,171	284,235,353,742
Net book value						
As at 1 January 2019	242,540,453,706	384,004,196,326	69,113,470,472	8,350,132,142	9,631,014,755	713,639,267,401
As at 31 December 2019	260,471,818,078	365,005,872,931	68,437,594,879	7,290,734,641	6,722,749,041	707,928,769,570

Cost of tangible fixed assets fully depreciated but still in use as at 31 December 2019 was VND17.6 billion (as at 31 December 2018: VND25.8 billion).

As at 31 December 2019, tangible fixed assets with total carrying value of VND268 billion (as at 31 December 2018: VND311 billion) were pledged with banks as security for short-term borrowings granted to the Group (Note 18).

11 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Historical cost			
As at 1 January 2019	8,090,909,091	18,644,726,800	26,735,635,891
New purchases	-	1,334,948,050	1,334,948,050
As at 31 December 2019	8,090,909,091	19,979,674,850	28,070,583,941
Accumulated amortisation			
As at 1 January 2019	956,197,113	4,159,237,436	5,115,434,549
Charge for the year	221,804,518	2,738,178,083	2,959,982,601
As at 31 December 2019	1,178,001,631	6,897,415,519	8,075,417,150
Net book value			
As at 1 January 2019	7,134,711,978	14,485,489,364	21,620,201,342
As at 31 December 2019	6,912,907,460	13,082,259,331	19,995,166,791

The historical cost of intangible fixed assets fully amortised but still in use as at 31 December 2019 was VND299 million (as at 31 December 2018: VND299 million).

As at 31 December 2019 intangible fixed assets with total carrying value of VND7 billion (as at 31 December 2018: VND7.1 billion) were pledged with banks as security for short-term borrowings granted to the Group (Note 18).

12 CONSTRUCTION IN PROGRESS

	2019 VND	2018 VND
Factory	-	16,032,115,169
Office renovation	828,306,006	6,901,415,925
Machinery and equipment	456,498,830	183,740,736
	1,284,804,836	23,117,271,830

12 CONSTRUCTION IN PROGRESS (continued)

Movements of the construction in progress during the year were as follows:

	2019 VND	2018 VND
Beginning of year	23,117,271,830	813,664,796
Purchase	15,140,737,651	200,044,157,413
Transferred to tangible fixed assets (Note 11(a))	(31,893,493,477)	(152,121,573,607)
Transferred to prepaid expenses	(5,047,711,168)	(25,618,976,772)
Others	(32,000,000)	-
End of year	<u>1,284,804,836</u>	<u>23,117,271,830</u>

13 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2019 VND	2018 VND
Third parties		
Vina Eco Board Limited.	32,944,922,661	25,959,799,470
Others	221,310,023,159	268,342,181,836
	<u>254,254,945,820</u>	<u>294,301,981,306</u>

As at 31 December 2019 and 31 December 2018, there was no balance of short-term trade accounts payable that was past due.

14 SHORT-TERM ADVANCES FROM CUSTOMERS

	2019 VND	2018 VND
Third parties	<u>173,032,530,318</u>	<u>203,486,312,024</u>

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15 TAX AND RECEIVABLES FROM/PAYABLES TO THE STATE

Movements in tax and receivables from/payables to the State during the year are as follows:

	As at 1.1.2019 VND	(Payable)/receivable during the year VND	Paid/(collected) during the year VND	As at 31.12.2019 VND
a) Receivables				
Import tax to be reclaimed	5,188,271,193	6,753,786,895	(5,801,266,378)	6,140,791,710
Import tax	49,220,210	(28,075,570,109)	28,026,349,899	-
VAT on importation	58,183,248	(129,501,689,088)	129,443,505,840	-
Personal income tax	9,805,689	-	(9,805,689)	-
Others	8,033,244	(686,514,961)	683,837,213	5,355,496
	<u>5,313,513,584</u>	<u>(151,509,987,263)</u>	<u>152,342,620,885</u>	<u>6,146,147,206</u>
b) Payables				
Value added tax	30,279,830,891	129,938,851,194	(140,012,245,759)	20,206,436,326
Business income tax	30,970,917,062	74,424,646,643	(92,161,661,998)	13,233,901,707
Personal income tax	6,825,382,480	23,309,027,213	(21,160,661,756)	8,973,747,937
Import tax	13,998,252	24,975,253,478	(24,975,253,478)	13,998,252
Others	-	123,440,378	(123,440,378)	-
	<u>68,090,128,685</u>	<u>252,771,218,906</u>	<u>(278,433,263,369)</u>	<u>42,428,084,222</u>

16 PAYABLES TO EMPLOYEES

Payables to employees represent salary of December and accrual of the 13th month salary payable to employees.

17 SHORT-TERM ACCRUED EXPENSES

	2019 VND	2018 VND
Staff costs	27,068,505,446	30,197,551,679
Marketing	432,689,000	582,400,000
Others	5,477,017,868	6,015,811,881
	<u>32,978,212,314</u>	<u>36,795,763,560</u>

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18 SHORT-TERM BORROWINGS

	As at 1.1.2019 VND	Increase VND	Decrease VND	Revaluation VND	As at 31.12.2019 VND
Bank loans (*)	328,807,204,070	936,722,867,921	(1,043,746,208,537)	(352,531,239)	221,431,332,215

(*) Details of short-term bank loans are as follows:

	Currency	As at 31.12.2019 VND	Term months	Due date	Interest % per annum	Collateral
Vietnam Bank for Agriculture and Rural Development ("Agribank")	VND	36,364,151,664	3	31.3.2020	6%	Land use right and assets belonged to land plot No.681, machineries and equipment.
Vietnam Joint Stock Commercial Bank for Industry and Trade ("Vietinbank")	USD VND	1,541,741,183 120,532,834,135	6 6	10.1.2020 24.6.2020	4% 4%	Subrogation of the Company, land use rights and assets belonged to land plot no. 441 and 820 located in Binh Duong, machineries with the value of VND14.4 billion.
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	VND	58,616,636,381	3	13.3.2020	5.9%	Bank deposit account number 926/2019/362 dated 8 July 2019 at Vietin Bank - Branch No. 8 with the value of VND122 billion and bank deposit account number 926/2019/13156 dated 28 August 2019 at Vietin Bank - Branch No. 8 with the value of VND40 billion.
	USD	4,375,968,852	6	11.3.2020	3.2%	
		<u>221,431,332,215</u>				

19 PROVISION FOR LONG-TERM LIABILITIES

The balances represent provision for severance allowances which are determined based on the method disclosed in Note 2.17.

20 DEFERRED TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts were as follows:

	2019 VND	2018 VND
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	469,388,000	-
Deferred tax assets to be recovered within 12 months	6,155,669,467	290,272,008
	<u>6,625,057,467</u>	<u>290,272,008</u>

The movement in the deferred income tax assets, taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

	2019 VND	2018 VND
Beginning of year	290,272,008	595,756,631
Income statement credit (Note 31)	6,334,785,459	(305,484,623)
End of year	<u>6,625,057,467</u>	<u>290,272,008</u>

Details of deferred tax assets

	2019 VND	2018 VND
Deductible temporary differences	<u>6,625,057,467</u>	<u>290,272,008</u>

The Group uses tax rate of 20% for determining deferred tax assets.

Deferred tax assets mainly arise from deductible temporary differences relating to accrued expenses, and provisions.

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21 OWNERS' CAPITAL

(a) Number of shares

	2019	2018
Number of shares registered	85,938,083	80,316,069
Number of shares issued	85,938,083	80,316,069
Number of shares repurchased	(1,600)	(1,600)
Number of existing shares in circulation	85,936,483	80,314,469

(b) Details of owners' shareholding

	2019		2018	
	Ordinary shares	%	Ordinary shares	%
NC Viet Nam Investment Ltd.	43,861,200	51.04	43,061,200	53.61
Whitlam Holding Pte. Ltd.	15,834,000	18.42	15,834,000	19.71
Sumimoto Forestry (Singapore) Ltd.	17,187,922	20.00	8,031,740	10.00
Others	9,054,961	10.54	13,389,129	16.68
	85,938,083	100	80,316,069	100

(c) Movement of share capital

	Number of shares	Ordinary shares VND
As at 1 January 2018	42,806,522	428,065,220,000
New shares issued	37,509,547	375,095,470,000
As at 31 December 2018	80,316,069	803,160,690,000
New shares issued (Note 22)	5,622,014	56,220,140,000
As at 31 December 2019	85,938,083	859,380,830,000

Par value per share: VND10,000.

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22 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Development and investment fund VND	Undistributed earnings VND	Total VND
As at 1 January 2018	428,065,220,000	826,008,726,600	-	-	812,923,197,623	2,066,997,144,223
Capital increased during the year	13,239,130,000	-	-	-	-	13,239,130,000
Dividends paid by shares (Note 23)	361,856,340,000	-	-	-	(361,856,340,000)	-
Net profit for the year	-	-	-	-	505,189,736,129	505,189,736,129
Appropriation of investment and development fund	-	-	-	28,789,779,018	(28,789,779,018)	-
Appropriation of bonus and welfare fund	-	-	-	-	(14,394,889,509)	(14,394,889,509)
Repurchase of treasury shares	-	-	(16,000,000)	-	-	(16,000,000)
Transfer to bonus and welfare fund	-	-	-	(15,000,000,000)	-	(15,000,000,000)
Others	-	-	-	(6,116,018,316)	-	(6,116,018,316)
As at 31 December 2018	803,160,690,000	826,008,726,600	(16,000,000)	7,673,760,702	913,071,925,225	2,549,899,102,527
Capital increased during the year (i)	56,220,140,000	582,463,138,456	-	-	-	638,683,278,456
Dividends paid (Note 23)	-	-	-	-	(274,996,745,600)	(274,996,745,600)
Net profit for the year	-	-	-	-	486,382,202,889	486,382,202,889
Appropriation to the investment and development fund (ii)	-	-	-	15,155,692,083	(15,155,692,083)	-
Appropriation to the bonus and welfare fund (iii)	-	-	-	-	(25,259,486,806)	(25,259,486,806)
Other	-	-	-	-	(4,000,000,000)	(4,000,000,000)
As at 31 December 2019	859,380,830,000	1,408,471,865,056	(16,000,000)	22,829,452,785	1,080,042,203,625	3,370,708,351,466

22 MOVEMENTS IN OWNERS' EQUITY (continued)

- (i) Pursuant to the Resolution of the Extraordinary General Meeting of Shareholders No. 216-2018/NQ-GAC dated 27 November 2018, the Company issued additional 5,622,014 shares to its Shareholders in January 2019 at par value per share of VND10,000 and with issuance price of VND113,604 per share to increase its charter capital to VND859,380,830,000. Cash proceeds from the issuance of shares is VND638,683,278,456. From which, the Company used this amount to repay loans of VND164,900,910,389, purchase of raw materials for manufacturing of VND93,782,368,067. As at 31 December 2019, the amount of investments in fixed assets, machinery was VND380,000,000,000, which has not yet been drawn down.
- (ii) Pursuant to the Resolution of the General Meeting of Shareholders No.118-2019/NQ-GAC dated 10 May 2019, the General Meeting of Shareholders approved the appropriation of development investment fund at a rate of 3% on undistributed profit after tax as at 31 December 2018 in accordance with Group's audited consolidated financial statements.
- (iii) Pursuant to the Resolution of the General Meeting of Shareholders No.118-2019/NQ-GAC dated 10 May 2019, the General Meeting of Shareholders approved the appropriation of bonus and welfare fund at a rate of 5% on undistributed profit after tax as at 31 December 2018 in accordance with Group's audited consolidated financial statements.

23 DIVIDENDS

	2019 VND	2018 VND
Beginning of year	-	-
Dividends payable during the year (Note 22)	274,996,745,600	361,856,340,000
Dividends paid in cash (Note 22)	(274,996,745,600)	-
Dividends paid by share (Note 22)	-	(361,856,340,000)
End of year	-	-

24 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to Shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares. The details were as follows:

	For the year ended	
	31.12.2019	31.12.2018 (**)
Net profit attributable to Shareholders (VND)	486,382,202,889	505,189,736,129
Less amount allocated to bonus and welfare funds (VND) (Note 22) (*)	-	(25,259,486,806)
	<u>486,382,202,889</u>	<u>479,930,249,323</u>
Weighted average number of ordinary shares in issue (shares)	85,736,247	79,340,170
Basic earnings per share (VND)	<u>5,673</u>	<u>6,049</u>

(*) In 2019, the Group had no plan to appropriate bonus and welfare funds from undistributed earnings of 2019.

(**) Basic earnings per share of the year 2019 were recalculated as per Circular 200/2014/TT-BTC dated 20 December 2014 issued by the Ministry of Finance as follows:

	For the year ended 31.12.2018		
	As previously reported	Adjustments	As restated
Net profit attributable to Shareholders (VND)	505,189,736,129	(25,259,486,806)	479,930,249,323
Weighted average number of ordinary shares in issue (shares) (***)	44,882,309	34,457,861	79,340,170
Basic earnings per share (VND)	<u>11,256</u>		<u>6,049</u>

(***) As at 19 December 2018, the Company has paid dividend by shares pursuant to Resolution of General Meeting No. 71/2018/NQ-GAC dated 3 May 2018 (Note 23). Therefore, weighted average number of ordinary shares in issue have been adjusted as above.

24 EARNINGS PER SHARE (continued)**(b) Diluted earnings per share**

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders, which already subtracted the bonus and welfare fund, by the weighted average number of ordinary shares outstanding during the year and the ordinary shares expected to be issued.

The Group has no any ordinary shares that have a dilutive effect during the year and until the date of these consolidated financial statements. Therefore, the diluted earning per share shall be equal to the basic earnings per share.

25 OFF CONSOLIDATED BALANCE SHEETS ITEMS**(a) Foreign currencies**

As at 31 December 2019, included in cash are balances held in foreign currencies of US\$229,590 and EUR123,650 (as at 31 December 2018: US\$53,508 and EUR6,622).

(b) Operating lease assets

The future minimum lease payments under non-cancellable operating assets leases are presented in Note 34.

26 NET REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	2019 VND	2018 VND
Revenue		
Revenue from sales of merchandises and finished goods	4,464,067,208,690	3,900,795,900,326
Revenue from rendering of services	15,815,378,677	7,290,037,452
	<u>4,479,882,587,367</u>	<u>3,908,085,937,778</u>
Sales deductions		
Sales allowances	(123,439,500)	(112,252,775)
Sales returns	(14,907,366,389)	(14,854,614,620)
Trade discounts	(30,282,029,070)	(20,127,010,267)
	<u>(45,312,834,959)</u>	<u>(35,093,877,662)</u>
Net revenue from sales of goods and rendering of services		
Net revenue from sales of merchandises and finished goods	4,418,754,373,731	3,865,702,022,664
Net revenue from rendering of services	15,815,378,677	7,290,037,452
	<u>4,434,569,752,408</u>	<u>3,872,992,060,116</u>

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27 COST OF GOODS SOLD AND SERVICES RENDERED

	2019 VND	2018 VND
Cost of merchandises and finished goods	3,307,233,291,906	2,701,424,017,914
Cost of services rendered	13,085,708,033	4,228,474,277
Provision/(reversal of provision) for decline in value of inventories (Note 9)	12,146,646,974	(937,172,008)
	<u>3,332,465,646,913</u>	<u>2,704,715,320,183</u>

28 FINANCIAL INCOME

	2019 VND	2018 VND
Interest income	70,216,013,101	28,807,021,274
Interest income from lending (Note 33(a)(iii))	-	1,558,953,884
Realised foreign exchange gains	8,674,797,847	6,044,871,384
Gain from foreign currency translation at year-end	455,784,356	436,062,142
	<u>79,346,595,304</u>	<u>36,846,908,684</u>

29 SELLING EXPENSES

	2019 VND	2018 VND
Staff costs	194,883,594,864	174,376,835,398
Transportation	78,420,966,953	79,433,449,761
Marketing and advertising	76,681,915,243	72,944,949,881
Rental	25,079,957,329	22,330,909,820
Depreciation and amortisation	14,897,289,017	13,576,236,800
Tools and supplies	13,356,184,017	12,585,482,737
Repair and maintenances	19,696,523,148	9,185,930,552
Others	59,895,985,022	42,876,142,260
	<u>482,912,415,593</u>	<u>427,309,937,209</u>

30 GENERAL AND ADMINISTRATION EXPENSES

	2019 VND	2018 VND
Staff costs	67,130,303,146	59,204,659,104
Tools and supplies	3,730,404,198	3,259,906,407
Professional fees	3,291,117,619	2,817,598,062
Depreciation and amortisation	5,639,704,375	2,676,127,860
Provision for doubtful debts	7,727,349,947	290,124,704
Others	41,784,807,874	43,382,180,926
	<u>129,303,687,159</u>	<u>111,630,597,063</u>

31 BIT

The BIT on the Group's accounting profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2019 VND	2018 VND
Net accounting profit before tax	554,472,064,073	654,004,649,387
Tax calculated at a rate of 20%	110,894,412,815	130,800,929,877
Effect of:		
Expenses not deductible for tax purposes	15,463,186,250	14,047,646,192
Utilisation of tax losses for which no deferred income tax asset was recognised	(3,670,441,393)	-
Tax losses for which no deferred income tax asset was recognised	-	3,580,016,486
Under-provision in previous years	128,391,789	386,320,703
Tax exemption	(54,725,688,277)	-
BIT charge (*)	<u>68,089,861,184</u>	<u>148,814,913,258</u>
Charged/(credited) to income statement:		
BIT – current	74,424,646,643	148,509,428,635
BIT – deferred (Note 20)	(6,334,785,459)	305,484,623
	<u>68,089,861,184</u>	<u>148,814,913,258</u>

(*) The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

32 COST OF OPERATIONS BY FACTOR

Costs of operation by factor represent all costs incurred during the year excluding cost of merchandises for trading activities. The details are as follows:

	2019 VND	2018 VND
Raw materials	2,910,151,703,024	2,386,929,867,026
Outside services	316,747,836,432	260,466,436,258
Tools and supplies	111,007,413,871	116,121,858,486
Transportation	78,170,306,668	77,657,065,226
Depreciation and amortisation	108,856,569,672	68,865,309,782
Staff costs	690,497,315,809	614,320,002,514
Others	191,546,339,399	166,020,094,983
	<u>4,406,977,484,875</u>	<u>3,690,380,634,275</u>

33 RELATED PARTY DISCLOSURES

As at 31 December 2019 and during the year then ended, the Group had major balances and/or transactions with the related parties as follows:

Entity name	Relationship
NC Vietnam Investment Limited	Controlling shareholder
Sumitomo Forestry (Singapore) Ltd.	Major shareholder
Whitlam Holding Pte. Ltd.	Major shareholder
Trung Hieu Plywood Company Limited (formerly named as Trung Hieu Plywood Private Enterprise)	Controlled by Chairman's family member

(a) Related party transactions

	2019 VND	2018 VND
i) Sales of goods and rendering of services		
Trung Hieu Plywood Company Limited	<u>86,374,445,637</u>	<u>86,583,756,482</u>
ii) Compensation of key management		
Gross salaries and other benefits	<u>34,859,079,086</u>	<u>37,003,134,576</u>

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33 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2019 VND	2018 VND
<i>iii) Financing activities</i>		
<i>Dividends paid during the year</i>		
NC Vietnam Investment Limited	140,355,840,000	194,012,000,000
Sumitomo Forestry (Singapore) Ltd.	55,001,350,400	36,186,960,000
Whitlam Holding Pte. Ltd.	50,668,800,000	71,340,000,000
	<u> </u>	<u> </u>
<i>Interest earned from lendings (Note 28)</i>		
NC Vietnam Investment Limited	-	1,558,953,884
	<u> </u>	<u> </u>

(b) Year end balances with related parties

	2019 VND	2018 VND
Short-term trade accounts receivable (Note 5)		
Trung Hieu Plywood Company Limited	7,218,688,642	8,038,038,217
	<u> </u>	<u> </u>

34 COMMITMENTS

The future minimum assets lease payments under non-cancellable operating leases were as follows:

	2019 VND	2018 VND
Within one year	33,220,460,141	27,310,834,061
Between one and five years	72,609,968,641	73,874,927,163
Over five years	30,317,377,874	42,315,698,811
	<u> </u>	<u> </u>
Total minimum payments	136,147,806,656	143,501,460,035
	<u> </u>	<u> </u>

35 SEGMENT REPORTING

Geographical segments

The Group has performed all manufacturing and trading and services in Vietnam only. Therefore, the Group does not present the geography segments.

Business activity segments

Manufacturing and trading wooden household, industrial wooden items, artificial boards, interior decoration, kitchen equipment, and other wooden related products is the main activities to earn revenue and gain profit for the Group, whereas, other incomes account for a small proportion in total revenue of the Group, therefore, the Board of Management assumed that the Group operates in one business activity segment only.

36 EVENT AFTER THE CONSOLIDATED BALANCE SHEET DATE

Pursuant to the Resolution of the General Meeting of Shareholders No. 118-2019/NQ-GAC dated 10 May 2019, the Company issued 1,718,761 ordinary shares under the Company's Employee Stock Ownership Plan (ESOP) in March 2020 to increase the Company's charter capital to VND876,568,440,000. The issuance of this ordinary stock has been approved by the State Securities Commission of Vietnam in accordance with Official letter No. 1397/UBCK-QLCB dated 6 March 2020. The company is in the process of registering to change its charter capital on the Enterprise Registration Certificate.

37 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

The consolidated financial statements were approved by the Board of Management on 23 March 2020.

Nguyen Tan Trong
Preparer

Thieu Thi Ngoc Diem
Chief Accountant

Le Duc Nghia
General Director