

**AN CUONG WOOD-WORKING JOINT STOCK COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**



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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 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. Masami Kitahashi	Member
Mr. Tran Bao Minh	Independent Member

### Board of Management

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

### Board of Supervisors

Ms. Tran Thi Ngoc Tue	Chief Supervisor
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 THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT 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 which gives a true and fair view of the financial position of the Company and its subsidiary (together, the “Group”) as at 31 December 2018 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 and other irregularities.

### APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements as set out on pages 5 to 39 which gives a true and fair view of the financial position of the Group as at 31 December 2018 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,



*Nam*

Le Duc Nghia  
General Director

Binh Duong, SR Vietnam  
22 March 2019



## **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 2018 and approved by the Board of Management on 22 March 2019. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2018, 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 5 to 39.

### **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 2018, 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**



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

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Ho Ngoc Thang  
Audit Practising Licence No.  
2262-2018-006-1

Report reference number: HCM7797  
Ho Chi Minh City, 22 March 2019

## CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,573,383,275,411</b>	<b>2,218,181,585,155</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>32,331,088,573</b>	<b>93,929,719,530</b>
111	Cash		32,331,088,573	31,715,382,769
112	Cash equivalents		-	62,214,336,761
<b>120</b>	<b>Short-term investment</b>		<b>479,500,000,000</b>	<b>499,000,000,000</b>
123	Investments held to maturity	4	479,500,000,000	499,000,000,000
<b>130</b>	<b>Short-term receivables</b>		<b>577,262,841,105</b>	<b>587,646,101,357</b>
131	Short-term trade accounts receivable	5	496,571,221,055	400,537,216,372
132	Short-term prepayments to suppliers	6	60,957,239,224	108,329,897,294
135	Short-term lending	33(b)	-	54,800,000,000
136	Other short-term receivables	7	22,118,887,388	26,417,131,082
137	Provision for doubtful debts – short term	8	(3,011,123,011)	(2,720,998,307)
139	Shortage of assets awaiting resolution		626,616,449	282,854,916
<b>140</b>	<b>Inventories</b>	9	<b>1,386,802,158,791</b>	<b>1,006,231,262,656</b>
141	Inventories		1,388,656,774,059	1,009,023,049,932
149	Provision for decline in value of inventories		(1,854,615,268)	(2,791,787,276)
<b>150</b>	<b>Other current assets</b>		<b>97,487,186,942</b>	<b>31,374,501,612</b>
151	Short-term prepaid expenses	10(a)	30,952,452,478	15,250,406,315
152	Value Added Tax to be reclaimed		61,221,220,880	14,892,592,285
153	Other taxes receivable	15(a)	5,313,513,584	1,231,503,012
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>995,445,427,216</b>	<b>576,882,976,735</b>
<b>210</b>	<b>Long-term receivable</b>		<b>1,486,727,000</b>	<b>884,080,000</b>
216	Other long-term receivables		1,486,727,000	884,080,000
<b>220</b>	<b>Fixed assets</b>		<b>735,259,468,743</b>	<b>367,940,014,563</b>
221	Tangible fixed assets	11(a)	713,639,267,401	343,831,719,151
222	Historical cost		916,346,644,549	481,842,727,202
223	Accumulated depreciation		(202,707,377,148)	(138,011,008,051)
227	Intangible fixed assets	11(b)	21,620,201,342	24,108,295,412
228	Historical cost		26,735,635,891	26,560,635,891
229	Accumulated amortisation		(5,115,434,549)	(2,452,340,479)
<b>240</b>	<b>Long-term asset in progress</b>		<b>23,117,271,830</b>	<b>813,664,796</b>
242	Construction in progress	12	23,117,271,830	813,664,796
<b>260</b>	<b>Other long-term assets</b>		<b>235,581,959,643</b>	<b>207,245,217,376</b>
261	Long-term prepaid expenses	10(b)	235,291,687,635	206,649,460,745
262	Deferred income tax assets	19	290,272,008	595,756,631
<b>270</b>	<b>TOTAL ASSETS</b>		<b>3,568,828,702,627</b>	<b>2,795,064,561,890</b>

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

## AN CUONG WOOD-WORKING JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET  
(continued)

Code	RESOURCES	Note	As at 31 December	
			2018 VND	2017 VND
<b>300</b>	<b>LIABILITIES</b>		<b>1,018,929,600,100</b>	<b>728,067,417,667</b>
<b>310</b>	<b>Current liabilities</b>		<b>1,018,929,600,100</b>	<b>728,067,417,667</b>
311	Short-term trade accounts payable	13	294,301,981,306	288,301,411,163
312	Short-term advances from customers	14	203,486,312,024	203,531,583,690
313	Tax and other payables to the State Budget	15(b)	68,090,128,685	35,483,905,703
314	Payable to employees	16	76,378,908,356	61,220,452,409
315	Short-term accrued expenses	17	36,795,763,560	34,307,325,782
319	Other short-term payables		2,416,202,099	7,206,558,238
320	Short-term borrowings	18	328,807,204,070	95,910,040,002
322	Bonus and welfare funds		8,653,100,000	2,106,140,680
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>2,549,899,102,527</b>	<b>2,066,997,144,223</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,549,899,102,527</b>	<b>2,066,997,144,223</b>
411	Owners' capital	20, 21	803,160,690,000	428,065,220,000
411a	- Ordinary shares with voting rights		803,160,690,000	428,065,220,000
412	Share premium	21	826,008,726,600	826,008,726,600
415	Treasury shares	21	(16,000,000)	-
418	Investment and development funds	21	7,673,760,702	-
421	Undistributed earnings	21	913,071,925,225	812,923,197,623
421a	- Undistributed post-tax profits of previous years		611,042,879,096	297,600,904,644
421b	- Post-tax profit of the current year		302,029,046,129	515,322,292,979
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>3,568,828,702,627</b>	<b>2,795,064,561,890</b>



Nguyen Tan Trong  
Preparer



Thieu Thi Ngoc Diem  
Chief Accountant



Le Duc Nghia  
General Director  
22 March 2019

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.



## CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
01	Revenue from sales of goods and rendering of services	3,908,085,937,778	3,209,488,821,909
02	Less deductions	(35,093,877,662)	(25,958,887,273)
10	Net revenue from sales of goods and rendering of services	3,872,992,060,116	3,183,529,934,636
11	Cost of goods sold and service rendered	(2,704,715,320,183)	(2,107,966,670,181)
20	Gross profit from sales of goods and rendering of services	1,168,276,739,933	1,075,563,264,455
21	Financial income	36,846,908,684	29,143,596,307
22	Financial expenses	(17,691,117,201)	(8,772,955,147)
23	- Including: Interest expense	(11,847,000,160)	(5,630,872,220)
25	Selling expenses	(427,309,937,209)	(330,713,705,220)
26	General and administration expenses	(111,630,597,063)	(105,708,701,344)
30	Net operating profit	648,491,997,144	659,511,499,051
31	Other income	14,309,875,756	6,491,216,456
32	Other expenses	(8,797,223,513)	(3,438,992,596)
40	Net other income	5,512,652,243	3,052,223,860
50	Net accounting profit before tax	654,004,649,387	662,563,722,911
51	Business income tax - current	(148,509,428,635)	(146,448,069,386)
52	Business income tax - deferred	(305,484,623)	(793,360,546)
60	Net profit after tax	505,189,736,129	515,322,292,979
	Attributable to:		
61	Owners of the parent company	505,189,736,129	515,322,292,979
70	Earnings per share	23(a) 11,256	11,840
71	Diluted earnings per share	23(b) 11,256	11,840

  
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 Nguyen Tan Trong  
 Preparer

  
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 Thieu Thi Ngoc Diem  
 Chief Accountant



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 Le Duc Nghia  
 General Director  
 22 March 2019


The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
**(Indirect method)**

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>Net accounting profit before tax</b>	<b>654,004,649,387</b>	<b>662,563,722,911</b>
	Adjustments for:		
02	Depreciation and amortisation	68,865,309,782	42,402,138,357
03	(Reversals of provisions)/provisions	(647,047,304)	1,914,740,445
04	Unrealised foreign exchange (gains)/losses	(436,062,142)	638,976,275
05	Profits from investing activities	(30,328,684,947)	(26,283,005,614)
06	Interest expense	11,847,000,160	5,630,872,220
<b>08</b>	<b>Operating profit before changes in working capital</b>	<b>703,305,164,936</b>	<b>686,867,444,594</b>
09	Increase in receivables	(97,721,993,286)	(342,690,515,429)
10	Increase in inventories	(379,633,724,127)	(385,049,796,036)
11	Increase in payables	36,154,868,459	319,639,851,780
12	Increase in prepaid expenses	(44,344,273,053)	(110,906,666,332)
14	Interest paid	(11,847,000,160)	(5,626,427,401)
15	Business income tax paid	(132,593,523,085)	(147,233,494,583)
17	Other payments on operating activities	(28,963,948,505)	(1,140,863,000)
<b>20</b>	<b>Net cash inflows from operating activities</b>	<b>44,355,571,179</b>	<b>13,859,533,593</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and other long-term assets	(458,856,570,298)	(104,804,292,653)
22	Proceeds from disposals of fixed assets	58,181,818	148,625,455
23	Lending, investment held to maturity	(952,099,909,723)	(957,000,000,000)
24	Collection of lending, investment held to maturity	1,026,399,909,723	858,000,000,000
27	Interest received	32,425,451,595	27,173,344,758
<b>30</b>	<b>Net cash outflows from investing activities</b>	<b>(352,072,936,885)</b>	<b>(176,482,322,440)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Proceeds from issue of shares	13,239,130,000	308,423,946,600
32	Payments for share repurchases	(16,000,000)	-
33	Proceeds from short-term borrowings	1,070,670,509,101	520,444,764,068
34	Repayments of short-term borrowings	(837,773,345,033)	(464,773,945,264)
36	Dividends paid	-	(121,800,000,000)
<b>40</b>	<b>Net cash inflows from financing activities</b>	<b>246,120,294,068</b>	<b>242,294,765,404</b>
<b>50</b>	<b>Net (decrease)/increase in cash</b>	<b>(61,597,071,638)</b>	<b>79,671,976,557</b>
<b>60</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>93,929,719,530</b>	<b>14,271,859,641</b>
61	Effect of foreign exchange differences	(1,559,319)	(14,116,668)
<b>70</b>	<b>Cash and cash equivalents at end of year</b>	<b>32,331,088,573</b>	<b>93,929,719,530</b>

  
 \_\_\_\_\_  
 Nguyen Tan Trong  
 Preparer

  
 \_\_\_\_\_  
 Thieu Thi Ngoc Diem  
 Chief Accountant

  
 \_\_\_\_\_  
 Le Duc Nghia  
 General Director  
 22 March 2019

The notes on pages 9 to 39 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**
**1 GENERAL INFORMATION OF THE GROUP**

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

The principal activity of the Company 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 2018 and as at 31 December 2017, the Group had two direct subsidiaries and one indirect subsidiary with the following details:

Name	Location	Principal activity	2018		2017	
			Ownership (%)	Voting right (%)	Ownership (%)	Voting right (%)
Malloca Vietnam Company Limited	Ho Chi Minh City	Trade Malloca-brand kitchen appliances	100	100	100	100
An Cuong Wood-Working Company Limited	Binh Duong Province	Manufacture and trade wooden products	100	100	100	100
AConcept Vietnam Company Limited	Ho Chi Minh City	Wholesale and retail of interiors and interior decoration	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 2018, the Group had 4,138 employees (as at 31 December 2017: 2,815 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.

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****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").

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 bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Group opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.

**2.4 Basis of consolidation**

The Group prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guidance on the preparation and presentation of consolidated financial statements issued by The Ministry of Finance on 22 December 2014.

**Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.5 Cash and cash equivalents**

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

**2.6 Trade receivables**

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Management of all outstanding amounts at the year end. Bad debts are written off when identified.

**2.7 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 method 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 operating expenses in the year.

**2.8 Investments held-to-maturity**

Investments held-to-maturity are investments which the 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 less provision.

Provision for diminution in value of investments held-to-maturity is made when there is evidence that part or the whole of the investment is uncollectible.

**2.9 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.9 Fixed assets (continued)***Depreciation and amortisation*

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

Plant and buildings	3% - 33%
Machinery	8% - 100%
Motor vehicles	7% - 50%
Office equipment	13% - 33%
Other tangible fixed assets	7% - 50%
Land use rights	3%
Software	20% - 50%

*Disposals*

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

*Construction in progress*

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with 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.

**2.10 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.

**2.11 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 method over estimated useful lives. Land rentals expense is allocated over the lease term which is recognised in the lease contract.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.12 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 including 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.

**2.13 Borrowings**

Short-term borrowings include borrowings from banks and other entities.

Borrowings are classified into long-term and short-term 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. Other borrowing costs are recognised in the consolidated income statement when incurred.

**2.14 Accrued expenses**

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

**2.15 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 interest expense.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.16 Owners' capital**

Contributed capital of the shareholders is recorded according to 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 Group and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities.

Undistributed earnings record the Group's results after business income tax at the reporting date.

**2.17 Appropriation of net profit**

Net profit after income tax could be distributed to shareholders after approval at General Meeting, and after appropriation to other funds in accordance with the Company's charter and Vietnamese regulations. Dividend is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the General Meeting of shareholders.

**(a) Bonus and welfare fund**

The bonus and welfare fund is appropriated from the Group's net profit and subject to shareholders' approval at the General Meeting. 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 net profit and approved by shareholders in the General Meeting. This fund is set aside for the use in expansion of its operation or in-depth investments.



**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.18 Revenue recognition****(a) Revenue from sales of goods**

Revenue from the sale of goods is recognised in the consolidated income statement when all five 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 based on principle of “substance over form” and allocated to each sales obligation. In case that the Group gives promotional goods to customers associated with customers’ purchase, the Group allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the consolidated income statement.

**(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 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 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.19 Sales deductions**

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

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

**2.20 Cost of goods sold and services rendered**

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

**2.21 Financial expenses**

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

**2.22 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 (excluding construction activity), maintenance charges, packaging, and transportation.

**2.23 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs (salaries, wages, allowances, etc.); 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.

**2.24 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.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.24 Current and deferred income tax (continued)**

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 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.

**2.25 Use of estimates**

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards 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 amounts of revenues and expenses during the period. 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.

**2.26 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 enterprise, key management personnel, including the directors 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.

**2.27 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.

**3 CASH AND CASH EQUIVALENTS**

	<b>2018 VND</b>	<b>2017 VND</b>
Cash on hand	488,006,104	1,051,331,092
Cash at bank	31,843,082,469	30,525,006,719
Cash in transit	-	139,044,958
Cash equivalents (*)	-	62,214,336,761
	<u>32,331,088,573</u>	<u>93,929,719,530</u>

(\*) Cash and cash equivalent as at 31 December 2017 were term deposits with an original maturity of three months or less, earned interest at the interest rate of 5.5% per annum and matured in the financial year ended 31 December 2018.

**4 INVESTMENTS HELD-TO-MATURITY**

Investments held-to-maturity represent term deposits at commercial banks with original maturities over 3 months but less than 1 year and earn interest at the interest rates of 5.6% - 7.6% per annum (2017: 6% - 6.3% per annum).

**5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties	488,533,182,838	391,480,326,540
Related parties (Note 33(b))	8,038,038,217	9,056,889,832
	<u>496,571,221,055</u>	<u>400,537,216,372</u>

As at 31 December 2018 and 31 December 2017, the balances of short-term trade accounts receivable which were past due, amounting to VND4,256,986,455 and VND4,718,097,000 respectively, and represented in Note 8.

**6 SHORT-TERM PREPAYMENT TO SUPPLIERS**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties		
Kim Hung Think Construction Design Consulting Company Limited	37,267,964	19,279,017,041
Others	60,919,971,260	89,050,880,253
	<u>60,957,239,224</u>	<u>108,329,897,294</u>

## 7 OTHER SHORT-TERM RECEIVABLES

	2018 VND	2017 VND
Deposits	10,513,076,924	9,435,469,066
Interest receivable from bank deposits	7,701,586,819	9,322,529,922
Advances to employees	1,748,481,961	1,014,842,218
Lending interest receivable (Note 33(b))	-	438,533,334
Others	2,155,741,684	6,205,756,542
	<u>22,118,887,388</u>	<u>26,417,131,082</u>

## 8 DOUBTFUL DEBTS

	2018			Number of overdue days
	Cost VND	Recoverable amount VND	Provision VND	
Sai Gon Shipyard Company Limited	2,144,622,095	647,303,069	1,497,319,026	From 2 to 3 years
Construction & Development for Cities Company Ltd.	360,000,000	-	360,000,000	Over 3 years
Tan Hoang Thang JSC	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>	
	2017			Number of overdue days
	Cost VND	Recoverable amount VND	Provision VND	
Sai Gon Shipyard Company Limited	2,539,601,152	1,269,800,576	1,269,800,576	Over 1 year
Construction & Development for Cities Company Ltd.	360,000,000	-	360,000,000	Over 3 years
Tan Hoang Thang JSC	358,710,330	-	358,710,330	Over 3 years
Others	1,459,785,518	727,298,117	732,487,401	Over 6 months
	<u>4,718,097,000</u>	<u>1,997,098,693</u>	<u>2,720,998,307</u>	

## 9 INVENTORIES

	2018		2017	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	74,658,060,843	-	90,434,448,613	-
Raw materials	523,417,115,348	(1,417,855,580)	363,851,583,520	(1,991,437,764)
Work in progress	2,682,469,288	(5,576,282)	3,111,000,528	(7,327,172)
Finished goods	604,319,082,640	(377,510,232)	404,882,847,991	(781,953,300)
Merchandise	183,580,045,940	(53,673,174)	146,743,169,280	(11,069,040)
	<u>1,388,656,774,059</u>	<u>(1,854,615,268)</u>	<u>1,009,023,049,932</u>	<u>(2,791,787,276)</u>

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

	2018 VND	2017 VND
Beginning of year	2,791,787,276	2,167,877,250
Increase (Note 26)	-	623,910,026
Reversal (Note 26)	(937,172,008)	-
End of year	<u>1,854,615,268</u>	<u>2,791,787,276</u>

## 10 PREPAID EXPENSES

## (a) Short-term

	2018 VND	2017 VND
Insurance	1,317,494,226	891,877,868
Tools and supplies	14,569,401,781	4,593,522,139
Operating rental	708,124,889	3,277,921,520
Advertising	1,769,254,121	2,456,403,702
Showroom and samples	8,782,401,393	1,600,813,214
Others	3,805,776,068	2,429,867,872
	<u>30,952,452,478</u>	<u>15,250,406,315</u>

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10 PREPAID EXPENSES (continued)

(b) Long-term

	2018 VND	2017 VND
Land rental	180,787,431,700	185,510,226,232
Office renovation	26,785,303,151	2,202,336,653
Tools and supplies	15,525,715,228	12,643,098,554
Operating rental	2,186,372,921	2,232,482,719
Others	10,006,864,635	4,061,316,587
	<u>235,291,687,635</u>	<u>206,649,460,745</u>

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

	2018 VND	2017 VND
Beginning of year	206,649,460,745	33,717,241,600
Increase	56,175,494,986	189,873,180,525
Allocation	(27,533,268,096)	(16,940,961,380)
End of year	<u>235,291,687,635</u>	<u>206,649,460,745</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
<b>Historical cost</b>						
As at 1 January 2018	153,318,614,771	217,228,088,859	70,555,672,100	5,701,143,256	35,039,208,216	481,842,727,202
New purchases	62,158,642,674	185,305,632,441	29,443,452,726	6,510,099,816	838,562,000	284,256,389,657
Transfers from construction in progress (Note 12)	76,791,005,084	75,258,970,370	23,416,335	48,181,818	-	152,121,573,607
Disposals	-	(1,447,110,449)	(426,935,468)	-	-	(1,874,045,917)
As at 31 December 2018	292,268,262,529	476,345,581,221	99,595,605,693	12,259,424,890	35,877,770,216	916,346,644,549
<b>Accumulated depreciation</b>						
As at 1 January 2018	32,041,096,282	58,959,658,876	20,938,797,854	2,469,435,878	23,602,019,161	138,011,008,051
Charge for the year	17,686,712,541	34,460,637,166	9,970,272,835	1,439,856,870	2,644,736,300	66,202,215,712
Disposals	-	(1,078,911,147)	(426,935,468)	-	-	(1,505,846,615)
As at 31 December 2018	49,727,808,823	92,341,384,895	30,482,135,221	3,909,292,748	26,246,755,461	202,707,377,148
<b>Net book value</b>						
As at 1 January 2018	121,277,518,489	158,268,429,983	49,616,874,246	3,231,707,378	11,437,189,055	343,831,719,151
As at 31 December 2018	242,540,453,706	384,004,196,326	69,113,470,472	8,350,132,142	9,631,014,755	713,639,267,401

Cost of tangible fixed assets fully depreciated but still in use as at 31 December 2018 was VND25.8 billion (as at 31 December 2017: VND20.2 billion).

As at 31 December 2018, tangible fixed assets with total carrying value of VND311 billion (as at 31 December 2017: VND83.8 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
<b>Historical cost</b>			
As at 1 January 2018	8,090,909,091	18,469,726,800	<b>26,560,635,891</b>
New purchases	-	175,000,000	<b>175,000,000</b>
As at 31 December 2018	<u>8,090,909,091</u>	<u>18,644,726,800</u>	<u><b>26,735,635,891</b></u>
<b>Accumulated amortisation</b>			
As at 1 January 2018	734,392,597	1,717,947,882	<b>2,452,340,479</b>
Charge for the year	221,804,516	2,441,289,554	<b>2,663,094,070</b>
As at 31 December 2018	<u>956,197,113</u>	<u>4,159,237,436</u>	<u><b>5,115,434,549</b></u>
<b>Net book value</b>			
As at 1 January 2018	<u>7,356,516,494</u>	<u>16,751,778,918</u>	<u><b>24,108,295,412</b></u>
As at 31 December 2018	<u><u>7,134,711,978</u></u>	<u><u>14,485,489,364</u></u>	<u><u><b>21,620,201,342</b></u></u>

Historical cost of intangible fixed assets fully amortised but still in use as at 31 December 2018 was VND299 million (as at 31 December 2017: VND299 million).

As at 31 December 2018 intangible fixed assets with total carrying value of VND7.1 billion (as at 31 December 2017: VND7.4 billion) were pledged with banks as security for short-term borrowings granted to the Group (Note 18).

**12 CONSTRUCTION IN PROGRESS**

	2018 VND	2017 VND
Factory	16,032,115,169	-
Office renovation	6,901,415,925	810,144,796
Machinery and equipment	183,740,736	3,520,000
	<u>23,117,271,830</u>	<u>813,664,796</u>

**12 CONSTRUCTION IN PROGRESS (continued)**

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

	<b>2018 VND</b>	<b>2017 VND</b>
Beginning of year	813,664,796	71,114,438,413
Purchase	200,044,157,413	30,623,322,583
Transferred to tangible fixed assets (Note 11(a))	(152,121,573,607)	(27,744,032,577)
Transferred to intangible fixed assets	-	(15,060,822,760)
Transferred to prepaid expenses	(25,618,976,772)	(58,076,028,113)
Others	-	(43,212,750)
End of year	<u>23,117,271,830</u>	<u>813,664,796</u>

**13 SHORT-TERM TRADE ACCOUNTS PAYABLE**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties		
Vina Eco Board Limited.	25,959,799,470	30,884,103,365
Others	268,342,181,836	257,417,307,798
	<u>294,301,981,306</u>	<u>288,301,411,163</u>

As at 31 December 2018 and 31 December 2017, there was no balance of short-term trade accounts payable that was past due.

**14 SHORT-TERM ADVANCES FROM CUSTOMERS**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties	<u>203,486,312,024</u>	<u>203,531,583,690</u>

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15 TAX AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

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

	As at 1.1.2018 VND	(Payable)/receivable during the year VND	Paid/(collected) during the year VND	As at 31.12.2018 VND
<b>a) Receivables</b>				
Import tax to be reclaimed	1,140,889,576	5,648,554,226	(1,601,172,609)	5,188,271,193
Import tax	79,728,320	(47,563,274,457)	47,532,766,347	49,220,210
VAT on importation	-	(18,987,424,734)	19,045,607,982	58,183,248
Personal income tax	-	9,805,689	-	9,805,689
Others	10,710,992	(558,591,728)	555,913,980	8,033,244
	<u>1,231,328,888</u>	<u>(61,450,931,004)</u>	<u>65,533,115,700</u>	<u>5,313,513,584</u>
<b>b) Payables</b>				
Value added tax on domestic sales	12,257,049,971	102,178,920,444	(84,156,139,524)	30,279,830,891
Business income tax	15,023,551,182	148,540,888,965	(132,593,523,085)	30,970,917,062
Personal income tax	8,200,930,426	22,215,088,669	(23,590,636,615)	6,825,382,480
Import tax	-	10,581,249,536	(10,567,251,284)	13,998,252
Others	-	358,540,646	(358,540,646)	-
	<u>35,481,531,579</u>	<u>283,874,688,260</u>	<u>(251,266,091,154)</u>	<u>68,090,128,685</u>

**16 PAYABLES TO EMPLOYEES**

Payables to employees represent salary of December and accrual of the 13<sup>th</sup> month salary payable.

**17 SHORT-TERM ACCRUED EXPENSES**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Staff costs	24,163,895,059	13,134,388,978
Land rental	-	11,247,284,250
Commission	6,033,656,620	3,729,377,845
Marketing expenses	582,400,000	2,977,787,227
Others	6,015,811,881	3,218,487,482
	<u>36,795,763,560</u>	<u>34,307,325,782</u>

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18 SHORT-TERM BORROWINGS

	As at 1.1.2018 VND	Increase VND	Decrease VND	As at 31.12.2018 VND
Bank loans	95,910,040,002	1,070,670,509,101	(837,773,345,033)	328,807,204,070

Details of short-term bank loans as follows:

	Currency	As at 31.12.2018 VND	Term Months	Expiry date	Interest rate % per annum	Collateral
Vietnam Technological and Commercial Joint Stock Bank ("Techcombank")	VND	105,088,699,632	6	2/5/2019	5.5	Inventories
Vietnam Bank for Agriculture and Rural Development ("Agribank")	VND	40,313,471,418	6	20/6/2019	5.5 (2017: 5 - 5.1%)	Land use right and assets belonged to land plot No.681, machinery and equipment
Vietnam Joint Stock Commercial Bank for Industry and Trade ("Vietin Bank")	VND	27,140,424,818	3	6/3/2019	6.2 (2017: 5%)	Subrogation of the Company, land use rights and assets belonged to land plot no. 441 located in Binh Duong, machineries
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	VND	156,264,608,202	6	16/7/2019	5.2 - 6 (2017: 4.8%)	Bank deposit account number 926/2018/01/001/HDTG and annex number 926/2018/01/001/HDTG/SDBS01 at Viettin Bank - Branch No.8 with the value of VND122 billion

**328,807,204,070**

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**19 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:

	<b>2018 VND</b>	<b>2017 VND</b>
Deferred tax assets:		
Deferred tax assets to be recovered within 12 months	<u>290,272,008</u>	<u>595,756,631</u>

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

	<b>2018 VND</b>	<b>2017 VND</b>
Beginning of year	595,756,631	1,389,117,177
Income statement credit	<u>(305,484,623)</u>	<u>(793,360,546)</u>
End of year	<u>290,272,008</u>	<u>595,756,631</u>

## Details of deferred tax assets

	<b>2018 VND</b>	<b>2017 VND</b>
Deductible temporary differences	<u>290,272,008</u>	<u>595,756,631</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.

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20 OWNERS' CAPITAL

(a) Number of shares

	2018	2017
Number of shares registered	80,316,069	42,806,522
Number of shares issued	80,316,069	42,806,522
Number of shares repurchased	(1,600)	-
Number of existing shares in circulation	80,314,469	42,806,522

(b) Details of owners' shareholding

	2018		2017	
	Ordinary shares	%	Ordinary shares	%
NC Viet Nam Investment Ltd.	43,061,200	53.61	23,660,000	55.27
Whitlam Holding Pte Ltd.	15,834,000	19.71	8,700,000	20.32
Sumimoto Forestry (Singapore) Ltd.	8,031,740	10.00	4,413,044	10.31
Others	13,389,129	16.68	6,033,478	14.10
	80,316,069	100	42,806,522	100

(c) Movement of share capital

	Number of shares	Ordinary shares VND
As at 1 January 2017	40,600,000	406,000,000,000
New shares issued	2,206,522	22,065,220,000
As at 31 December 2017	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

Par value per share: VND10,000.

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21 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 2017	406,000,000,000	539,650,000,000	-	-	419,400,904,644	1,365,050,904,644
Capital increased during the year	22,065,220,000	286,358,726,600	-	-	-	308,423,946,600
Net profit for the year	-	-	-	-	515,322,292,979	515,322,292,979
Dividends paid (Note 22) (i)	-	-	-	-	(121,800,000,000)	(121,800,000,000)
As at 31 December 2017	428,065,220,000	826,008,726,600	-	-	812,923,197,623	2,066,997,144,223
Capital increased during the year (ii)	13,239,130,000	-	-	-	-	13,239,130,000
Dividends paid by shares (Note 22) (iii)	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 (iv)	-	-	-	28,789,779,018	(28,789,779,018)	-
Appropriation of bonus and welfare fund (iv)	-	-	-	-	(14,394,889,509)	(14,394,889,509)
Repurchase of treasury shares	-	-	(16,000,000)	-	-	(16,000,000)
Transfer to bonus and welfare fund (v)	-	-	-	(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

*Rum*



**21 MOVEMENTS IN OWNERS' EQUITY (continued)**

- (i) Pursuant to the Resolution of General Meeting No. 71/2018/NQ-GAC dated 3 May 2018, the shareholders approved the dividend payment by cash at the rate of 30% on the par value per share, this dividend was advanced by the Group in 2017.
- (ii) Pursuant to the Resolution of General Meeting No. 72/2017/NQ-GAC dated 28 April 2017, the Group issued 1,323,913 shares to its employees with the par value per share of VND10,000. This amount was used to supplement working capital amounting to VND1,835,648,921 and to repay loans from Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank").
- (iii) Pursuant to the Resolution of the Annual General Meeting of Shareholders No. 71-2018/NQ-GAC dated 3 May 2018, the shareholders approved the dividend payment by shares at the rate of 36% on the par value per share from undistributed earnings as at 31 December 2017, in accordance with the audited consolidated financial statements.
- Pursuant to the Resolution of the extraordinary General Meeting of Shareholders No. 216-2018/NQ-GAC dated 27 November 2018, the shareholders approved the first advance of dividends by shares for the year 2018 at the rate of 46% on the par value per share from undistributed earnings as at 30 June 2018, in accordance with the Group's reviewed consolidated financial statements.
- (iv) The bonus and welfare fund and the investment and development fund were appropriated in accordance with Resolution of General Meeting No. 71-2018/NQ-GAC dated 3 May 2018.
- (v) Pursuant to the Resolution of the extraordinary General Meeting of Shareholders No. 216-2018/NQ-GAC dated 27 November 2018, the shareholders approved to transfer of VND15 billion from investment and development fund to bonus and welfare fund.

**22 DIVIDENDS**

	2018 VND	2017 VND
Beginning of year	-	-
Dividends payable during the year (Note 21)	361,856,340,000	121,800,000,000
Dividends paid in cash (Note 21)	-	(121,800,000,000)
Dividends paid by shares (Note 21)	(361,856,340,000)	-
End of year	-	-

**23 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 Group and held as treasury shares:

	<b>For the year ended</b>	
	<b>31.12.2018</b>	<b>31.12.2017</b> (**)
Net profit attributable to shareholders (VND)	505,189,736,129	515,322,292,979
Less amount allocated to bonus and welfare funds (VND) (*)	-	(29,394,889,509)
	<u>505,189,736,129</u>	<u>485,927,403,470</u>
Weighted average number of ordinary shares in issue (shares)	<u>44,882,309</u>	<u>41,041,304</u>
Basic earnings per share (VND)	<u>11,256</u>	<u>11,840</u>

(\*) In 2018, the Group had no plan to appropriate bonus and welfare funds from undistributed earnings of 2018.

(\*\*) Basic earnings per share of the year 2017 were recalculated as per Circular 200 as follows:

	<b>For the year ended 31.12.2017</b>		
	<b>As previously reported</b>	<b>Adjustments</b>	<b>As restated under Circular 200</b>
Net profit attributable to shareholders (VND)	515,322,292,979	(29,394,889,509)	485,927,403,470
Weighted average number of ordinary shares in issue (shares)	<u>41,041,304</u>	-	<u>41,041,304</u>
Basic earnings per share (VND)	<u>12,556</u>		<u>11,840</u>



**23 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.

**24 OFF BALANCE SHEET ITEMS****(a) Foreign currencies**

As at 31 December 2018, included in cash and cash equivalents are balances held in foreign currencies of US\$53,508 and EUR6,622 (as at 31 December 2017: US\$17,509 and EUR113).

**(b) Operating lease assets**

The future minimum lease payments under non-cancellable operating leases are VND143,501,460,035 and VND142,659,083,805 for the year ended 31 December 2018 and 31 December 2017, respectively (Note 34).

**(c) Bad debts written off**

As at 31 December 2018, the Group has no bad debts written off (as at 31 December 2017: VND1,632,835,726).

## AN CUONG WOOD-WORKING JOINT STOCK COMPANY

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## 25 NET REVENUE FROM SALES OF GOODS AND RENDERING SERVICES

	2018 VND	2017 VND
<b>Revenue</b>		
Revenue from sales of goods	2,523,595,369,650	2,152,317,334,349
Revenue from rendering of services	1,384,490,568,128	1,057,171,487,560
	<u>3,908,085,937,778</u>	<u>3,209,488,821,909</u>
<b>Sales deductions</b>		
Sales allowances	(112,252,775)	(12,641,741,070)
Sales returns	(14,854,614,620)	(85,200,228)
Trade discounts	(20,127,010,267)	(13,231,945,975)
	<u>(35,093,877,662)</u>	<u>(25,958,887,273)</u>
<b>Net revenue from sales of goods and rendering of services</b>		
Net revenue from sales of finished goods	2,488,501,491,988	2,126,358,447,076
Net revenue from rendering of services	1,384,490,568,128	1,057,171,487,560
	<u>3,872,992,060,116</u>	<u>3,183,529,934,636</u>

## 26 COST OF GOODS SOLD AND SERVICES RENDERED

	2018 VND	2017 VND
Cost of finished goods sold	1,587,835,468,900	1,330,382,689,001
Cost of services rendered	1,117,817,023,291	776,960,071,154
(Reversal)/provision for decline in value of inventories (Note 9)	(937,172,008)	623,910,026
	<u>2,704,715,320,183</u>	<u>2,107,966,670,181</u>

## AN CUONG WOOD-WORKING JOINT STOCK COMPANY

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## 27 FINANCIAL INCOME

	2018 VND	2017 VND
Interest income	28,807,021,274	24,881,446,904
Interest income from lending to related parties (Note 33(a)(iii))	1,558,953,884	2,556,805,556
Realised foreign exchange gains	6,044,871,384	1,705,343,847
Gain from foreign currency translation at year-end	436,062,142	-
	<u>36,846,908,684</u>	<u>29,143,596,307</u>

## 28 SELLING EXPENSES

	2018 VND	2017 VND
Staff costs	160,338,942,772	128,949,688,093
Transportation	79,433,449,761	61,978,522,392
Marketing and advertising	72,944,949,881	50,163,966,978
Rental	22,330,909,820	12,863,170,577
Commission	14,037,892,626	22,687,867,339
Depreciation and amortisation	13,576,236,800	9,674,183,693
Tools and supplies	12,585,482,737	16,030,531,487
Repair and maintenances	9,185,930,552	6,632,962,102
Others	42,876,142,260	21,732,812,559
	<u>427,309,937,209</u>	<u>330,713,705,220</u>

## 29 GENERAL AND ADMINISTRATION EXPENSES

	2018 VND	2017 VND
Staff costs	59,204,659,104	59,070,896,172
Tools and supplies	3,259,906,407	2,524,416,494
Professional fees	2,817,598,062	5,097,174,991
Depreciation and amortisation	2,676,127,860	1,454,364,562
Provision for doubtful debts	290,124,704	1,290,830,419
Others	43,382,180,926	36,271,018,706
	<u>111,630,597,063</u>	<u>105,708,701,344</u>



**30 BUSINESS INCOME TAX**

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

	<b>2018 VND</b>	<b>2017 VND</b>
Net accounting profit before tax	654,004,649,387	662,563,722,911
Tax calculated at a rate of 20%	130,800,929,877	132,512,744,582
Effect of:		
Expenses not deductible for tax purposes	14,047,646,192	14,630,407,224
Tax losses for which no deferred income tax asset was recognised	3,580,016,486	98,278,126
Under-provision in previous years	386,320,703	-
Business income tax charge (*)	<u>148,814,913,258</u>	<u>147,241,429,932</u>
Charged to income statement:		
Business income tax – current	148,509,428,635	146,448,069,386
Business income tax – deferred (Note 19)	305,484,623	793,360,546
	<u>148,814,913,258</u>	<u>147,241,429,932</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.

**31 COST OF OPERATIONS BY FACTOR**

	<b>2018 VND</b>	<b>2017 VND</b>
Raw materials	2,386,929,867,026	1,863,427,157,754
Outside services	260,010,778,989	206,713,606,032
Tools and supplies	116,372,584,873	45,285,426,231
Transportation	76,595,660,318	59,146,131,733
Depreciation and amortisation	68,865,309,782	42,402,138,357
Staff costs	614,320,002,514	443,449,780,207
Others	167,286,430,773	118,021,663,972
	<u>3,690,380,634,275</u>	<u>2,778,445,904,286</u>

## 32 ADDITIONAL INFORMATION FOR THE ITEM OF THE STATEMENT OF CASH FLOWS

## Non-cash transaction affect the statement of cash flows

	Year ended 31 December	
	2018 VND	2017 VND
Dividends paid by shares	361,856,340,000	-
Transfer from construction in progress to long-term prepayments	25,618,976,772	-

## 33 RELATED PARTY DISCLOSURES

As at 31 December 2018 and during the year then ended, the Group had balances and/or transactions with the related parties:

Entity name	Relationship
NC Vietnam Investment Limited	Controlling shareholder
Whitlam Holding Pte. Ltd.,	Significant influence shareholder
Trung Hieu Plywood Private Enterprise	Controlled by Chairman's family member
Ms. Le Thi Kim Cuc	Chairman's family member

## (a) Related party transactions

During the year, the following major transactions were carried out with related parties:

	2018 VND	2017 VND
<i>i) Revenue from sales of goods</i>		
Trung Hieu Plywood Private Enterprise	86,583,756,482	85,179,344,250
<i>ii) Compensation of key management</i>		
Gross salaries and other benefits	37,003,134,576	24,157,950,594





**34 OPERATING LEASE COMMITMENTS**

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

	<b>Property</b>	
	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Within one year	27,310,834,061	25,552,376,653
Between one and five years	73,874,927,163	67,255,054,076
Over five years	42,315,698,811	49,851,653,076
Total minimum payments	<u>143,501,460,035</u>	<u>142,659,083,805</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 of the Group assumed that the Group is in one business activity segment only.

**36 EVENT AFTER THE BALANCE SHEET DATE**

Pursuant to the Resolution of extraordinary General Meeting of Shareholders No. 216-2018/NQ-GAC dated 27 November 2018, the Group has issued 5,622,014 ordinary shares to its shareholders in January 2019, and increased the charter capital of the Group to VND859,380,830,000. This new charter capital was updated in the 25<sup>th</sup> Enterprise Registration Certificate dated 14 January 2019.

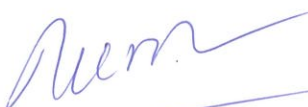
**37 COMPARATIVE FIGURES**

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 22 March 2019



Nguyen Tan Trong  
Preparer



Thieu Thi Ngoc Diem  
Chief Accountant



Le Duc Nghia  
General Director