

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

**SEPARATE 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. 3700748131 dated 20 September 2006

The initial Enterprise Registration Certificate No. 3700748131 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. 3700748131 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 Supervision

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 OF THE COMPANY IN RESPECT OF THE SEPARATE FINANCIAL STATEMENTS

The Board of Management of An Cuong Wood-Working Joint Stock Company (“the Company”) is responsible for preparing the separate financial statements which gives a true and fair view of the separate financial position of the Company as at 31 December 2018 and the separate results of its operations and separate cash flows for the year then ended. In preparing these separate 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 separate financial statement on a going concern basis unless it is inappropriate to presume that the Company 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 Company and which enable separate financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the separate financial statements. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements as set out on pages 5 to 39 which gives a true and fair view of the separate financial position of the Company as at 31 December 2018 and of the results of its separate operations and separate 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 separate financial statements.

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31 December 2018 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

On behalf of the Board of Management



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 separate financial statements of An Cuong Wood-Working Joint Stock Company ("the Company") which were prepared on 31 December 2018 and approved by the Board of Management on 22 March 2019. The separate financial statements comprise the separate balance sheet as at 31 December 2018, the separate income statement, the separate cash flow statement for the year then ended, and separate explanatory notes to the separate 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 separate financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of separate financial statements and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the separate 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 separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 31 December 2018, its separate financial performance and separate 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 separate 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

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

Report reference number: HCM7796  
Ho Chi Minh City, 22 March 2019

## SEPARATE BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,267,958,718,466</b>	<b>2,012,199,435,502</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>11,916,458,195</b>	<b>65,882,673,325</b>
111	Cash		11,916,458,195	3,668,336,564
112	Cash equivalents		-	62,214,336,761
<b>120</b>	<b>Short-term investment</b>		<b>476,000,000,000</b>	<b>495,000,000,000</b>
123	Investments held to maturity	4(a)	476,000,000,000	495,000,000,000
<b>130</b>	<b>Short-term receivables</b>		<b>598,832,705,151</b>	<b>534,751,959,463</b>
131	Short-term trade accounts receivable	5	501,880,098,096	389,847,230,847
132	Short-term prepayments to suppliers	6	35,293,719,188	37,881,456,941
135	Short-term lending	32(b)	42,000,000,000	83,000,000,000
136	Other short-term receivables	7	21,051,066,680	25,499,524,365
137	Provision for doubtful debts – short term	8	(1,975,632,381)	(1,722,238,449)
139	Shortage of assets awaiting resolution		583,453,568	245,985,759
<b>140</b>	<b>Inventories</b>	9	<b>1,155,968,166,074</b>	<b>902,346,181,724</b>
141	Inventories		1,157,778,972,123	905,137,969,000
149	Provision for decline in value of inventories		(1,810,806,049)	(2,791,787,276)
<b>150</b>	<b>Other current assets</b>		<b>25,241,389,046</b>	<b>14,218,620,990</b>
151	Short-term prepaid expenses	10(a)	19,410,649,103	12,674,031,282
152	Value Added Tax to be reclaimed		632,746,890	351,856,560
153	Other taxes receivable	15(a)	5,197,993,053	1,192,733,148
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>1,114,416,883,782</b>	<b>692,775,550,454</b>
<b>220</b>	<b>Fixed assets</b>		<b>334,862,814,566</b>	<b>341,461,686,725</b>
221	Tangible fixed assets	11(a)	313,242,613,224	317,353,391,313
222	Historical cost		484,774,664,328	444,627,601,395
223	Accumulated depreciation		(171,532,051,104)	(127,274,210,082)
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>7,085,156,661</b>	<b>813,664,796</b>
242	Construction in progress	12	7,085,156,661	813,664,796
<b>250</b>	<b>Long-term investment</b>		<b>656,600,000,000</b>	<b>260,000,000,000</b>
251	Investments in subsidiaries	4(b)	656,600,000,000	260,000,000,000
<b>260</b>	<b>Other long-term assets</b>		<b>115,868,912,555</b>	<b>90,500,198,933</b>
261	Long-term prepaid expenses	10(b)	115,578,640,547	90,500,198,933
262	Deferred income tax assets	19	290,272,008	-
<b>270</b>	<b>TOTAL ASSETS</b>		<b>3,382,375,602,248</b>	<b>2,704,974,985,956</b>

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

## AN CUONG WOOD-WORKING JOINT STOCK COMPANY

Form B 01 – DN

SEPARATE BALANCE SHEET  
(continued)

Code	RESOURCES	Note	As at 31 December	
			2018 VND	2017 VND
<b>300</b>	<b>LIABILITIES</b>		<b>902,986,188,664</b>	<b>680,931,571,174</b>
<b>310</b>	<b>Current liabilities</b>		<b>902,986,188,664</b>	<b>680,931,571,174</b>
311	Short-term trade accounts payable	13	236,830,890,564	275,086,650,218
312	Short-term advances from customers	14	168,052,607,645	195,346,277,839
313	Tax and other payables to the State Budget	15	59,201,120,787	25,296,670,966
314	Payable to employees	16	73,205,676,267	60,979,690,022
315	Short-term accrued expenses	17	27,990,767,113	19,380,955,274
319	Other short-term payables		2,055,121,722	7,094,054,711
320	Short-term borrowings	18	327,095,813,104	95,910,040,002
322	Bonus and welfare funds		8,554,191,462	1,837,232,142
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>2,479,389,413,584</b>	<b>2,024,043,414,782</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,479,389,413,584</b>	<b>2,024,043,414,782</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	842,562,236,282	769,969,468,182
421a	- Undistributed post-tax profits of previous years		568,089,149,655	290,139,817,896
421b	- Post-tax profit of current year		274,473,086,627	479,829,650,286
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>3,382,375,602,248</b>	<b>2,704,974,985,956</b>



Nguyen Thi Hong Lan  
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 financial statements.



## SEPARATE INCOME STATEMENT

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
01	Revenue from sales of goods and rendering of services	3,678,804,399,929	3,012,345,402,379
02	Less deductions	(6,169,620,939)	(7,845,461,067)
10	Net revenue from sales of goods and rendering of services	3,672,634,778,990	3,004,499,941,312
11	Cost of goods and rendered services	(2,662,034,904,039)	(2,061,512,585,541)
20	Gross profit from sales of goods and rendering of services	1,010,599,874,951	942,987,355,771
21	Financial income	38,376,511,375	31,553,261,948
22	Financial expenses	(17,054,258,786)	(8,958,119,131)
23	- Including: Interest expense	(12,768,176,277)	(5,630,872,220)
25	Selling expenses	(345,280,819,075)	(263,303,106,540)
26	General and administration expenses	(83,586,111,599)	(88,237,783,587)
30	Net operating profit	603,055,196,866	614,041,608,461
31	Other income	12,802,639,608	5,622,238,998
32	Other expenses	(2,906,428,488)	(2,417,895,336)
40	Net other income	9,896,211,120	3,204,343,662
50	Net accounting profit before tax	612,951,407,986	617,245,952,123
51	Business income tax - current	(135,607,903,367)	(137,416,301,837)
52	Business income tax - deferred	290,272,008	-
60	Net profit after tax	477,633,776,627	479,829,650,286



Nguyen Thi Hong Lan  
Preparer



Thieu Thi Ngoc Diem  
Chief Accountant



Le Duc Nghia  
General Director  
22 March 2019

SEPARATE CASH FLOW STATEMENT  
(Indirect method)

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Net accounting profit before tax</b>	<b>612,951,407,986</b>	<b>617,245,952,123</b>
	Adjustments for:		
02	Depreciation and amortisation	47,999,846,239	38,943,034,520
03	(Reversal of provisions)/provisions	(727,587,295)	1,830,293,217
04	Unrealised foreign exchange (gains)/losses	(13,546,096)	891,887,124
05	Profits from investing activities	(33,618,199,192)	(28,734,026,859)
06	Interest expense	12,768,176,277	5,630,872,220
08	<b>Operating profit before changes in working capital</b>	<b>639,360,097,919</b>	<b>635,808,012,345</b>
09	Increase in receivables	(103,644,443,944)	(213,979,907,973)
10	Increase in inventories	(252,641,003,123)	(360,557,705,859)
11	(Decrease)/increase in payables	(33,393,855,220)	299,923,567,045
12	Increase in prepaid expenses	(31,815,059,435)	(9,321,925,164)
14	Interest paid	(12,768,176,277)	(5,626,427,401)
15	Business income tax paid	(117,832,306,273)	(143,950,133,836)
17	Other payments on operating activities	(28,793,948,505)	(907,863,000)
20	<b>Net cash inflows from operating activities</b>	<b>58,471,305,142</b>	<b>201,387,616,157</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and other long-term assets	(56,089,131,607)	(91,440,867,410)
22	Proceeds from disposals of fixed assets	35,454,545	133,625,455
23	Lending and investments held to maturity	(1,084,099,909,723)	(953,000,000,000)
24	Collection of lending and investments held to maturity	1,019,099,909,723	858,000,000,000
25	Investments in other entities	(271,600,000,000)	(230,000,000,000)
27	Dividends and interest received	35,808,470,895	29,639,366,003
30	<b>Net cash outflows from investing activities</b>	<b>(356,845,206,167)</b>	<b>(386,667,875,952)</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 borrowings	1,068,959,118,135	520,444,764,068
34	Repayments of borrowings	(837,773,345,033)	(464,773,945,264)
36	Dividends paid	-	(121,800,000,000)
40	<b>Net cash inflows from financing activities</b>	<b>244,408,903,102</b>	<b>242,294,765,404</b>
50	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(53,964,997,923)</b>	<b>57,014,505,609</b>
60	<b>Cash and cash equivalents at beginning of year</b>	<b>65,882,673,325</b>	<b>8,882,249,164</b>
61	Effect of foreign exchange differences	(1,217,207)	(14,081,448)
70	<b>Cash and cash equivalents at end of year</b>	<b>11,916,458,195</b>	<b>65,882,673,325</b>



Nguyen Thi Hong Lan  
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 financial statements.

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 GENERAL INFORMATION**

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 which was issued by the Department of Planning and Development of Binh Duong. The latest amendment 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.

The normal business cycle of the Company is within 12 months.

As at 31 December 2018, the Company has two direct subsidiaries as disclosed in Note 4(b) and one indirect subsidiary. Details are as follows:

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 Manufacturing Limited Company	Binh Duong Province	Manufacture and trade wooden products	100	100	100	100
AConcept Vietnam Limited Company	Ho Chi Minh City	Wholesale and retail of interiors and interior decoration	100	100	100	100

As at 31 December 2018, the Company had 3,548 employees (as at 31 December 2017: 2,522 employees).

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation of separate financial statements**

The separate financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of separate financial statements. The separate financial statements have been prepared under the historical cost convention.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.1 Basis of preparation of separate financial statements (continued)**

The accompanying separate 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.

Separately, the Company has also prepared consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements for the Company and its subsidiaries (together, “the Group”). In the consolidated financial statements, subsidiary undertakings – which are those companies over which the Group has the power to govern the financial and operating policies – have been fully consolidated.

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31 December 2018 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

The separate financial statements in Vietnamese language are the official statutory financial statements of the Company. The separate financial statements in English language have been translated from the Vietnamese language separate financial statements.

**2.2 Fiscal year**

The Company’s fiscal year is from 1 January to 31 December.

**2.3 Currency**

The separate 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 separate income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Company 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 Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the separate income statement.

**2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.5 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.

**2.6 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 Company 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 period.

**2.7 Investments****(a) 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, loans held-to-maturity for interest earning and other held-to-maturity investments. 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.

**(b) Investments in subsidiaries**

Subsidiaries are all entities over which the Company 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 Company controls another entity.

Investments in subsidiaries are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is an impairment of the investments.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.8 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.

*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 separate income statement.

**2.9 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 separate income statement on a straight-line basis over the period of the lease.

**2.10 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the separate 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.

**2.11 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 separate balance sheet based on remaining period from the balance sheet date to the maturity date.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.12 Borrowings**

Short-term borrowings include borrowings from banks.

Borrowings are classified into long-term and short-term based on remaining period from the separate 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 separate income statement when incurred.

**2.13 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.

**2.14 Provisions**

Provisions are recognised when the Company 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 an interest expense.

**2.15 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 Company 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 Company's results, profit after business income tax at the reporting date.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.16 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 of the Company is recognised as a liability in the Company's separate financial statement in the period in which the dividends are approved by the Company's General Meeting of shareholders.

The Company's funds are as below:

**(a) Bonus and welfare fund**

The bonus and welfare fund is appropriated from the Company'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's benefits.

**(b) Development and investment fund**

Development and investment fund is appropriated from net profit of the Company and approved by shareholders in the General Meeting. This fund is set aside for the use in the Company's expansion of its operation or in-depth investments.

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

Revenue from the sale of goods is recognised in the separate income statement when all five following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company 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 Company; 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 Company gives promotional goods to customers associated with customers' purchase, the Company allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.



**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.17 Revenue recognition (continued)****(b) Revenue from rendering of services**

Revenue from rendering of services is recognised in the separate 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 Company;
- 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.

**(d) Dividend income**

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

**2.18 Sales deductions**

Sales deductions include 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.

**2.19 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.

**2.20 Financial expenses**

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.21 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.

**2.22 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.

**2.23 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 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.

**2.24 Use of estimates**

The preparation of the separate 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 separate financial statements and the amounts of revenues and expenses during the period. Although these estimates are based on the Board of Management' best knowledge of current events and actions, actual results may differ from those estimates.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.25 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 Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including the directors of the Company 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 Company considers the substance of the relationship not merely the legal form.

**2.26 Segment reporting**

A segment is a component which can be separated by the Company 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 Company's business segment or the Company's geographical segment.

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

**3 CASH AND CASH EQUIVALENTS**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Cash on hand	244,773,030	639,813,784
Cash at bank	11,671,685,165	3,028,522,780
Cash equivalents (*)	-	62,214,336,761
	<u>11,916,458,195</u>	<u>65,882,673,325</u>

(\*) Cash and cash equivalents 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****(a) Investments held-to-maturity**

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 5.6% - 7.6% per annum (2017: 6% - 6.3% per annum).

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**4 INVESTMENTS HELD-TO-MATURITY (continued)**

**(b) Investment in subsidiaries**

	2018			2017		
	Cost VND	Fair value (*) VND	Provision VND	Cost VND	Fair value (*) VND	Provision VND
Malloca Vietnam Company Limited	60,000,000,000	-	-	60,000,000,000	-	-
An Cuong Wood - Working Manufacturing Company Limited	596,600,000,000	-	-	200,000,000,000	-	-
	<u>656,600,000,000</u>	<u>-</u>	<u>-</u>	<u>260,000,000,000</u>	<u>-</u>	<u>-</u>

(\*) As at 31 December 2018 and 31 December 2017, the Company did not have sufficient information about the fair value of these investments because these subsidiaries are not listed in Stock Exchange.

Movement in investments in subsidiaries during the year were as follows:

	As at 1.1.2018 VND	Increase VND	Decrease VND	As at 31.12.2018 VND
Malloca Vietnam Company Limited	60,000,000,000	-	-	60,000,000,000
An Cuong Wood - Working Manufacturing Company Limited	200,000,000,000	396,600,000,000	-	596,600,000,000
	<u>260,000,000,000</u>	<u>396,600,000,000</u>	<u>-</u>	<u>656,600,000,000</u>

**5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties	446,196,489,727	359,793,184,663
Related parties (Note 32(b))	55,683,608,369	30,054,046,184
	<u>501,880,098,096</u>	<u>389,847,230,847</u>

As at 31 December 2018 and 31 December 2017, the balances of short-term trade accounts receivable which were past due amounting to VND3,084,690,085 and VND3,383,372,438 as presented in Note 8.

**6 SHORT-TERM PREPAYMENTS TO SUPPLIERS**

	<b>2018 VND</b>	<b>2017 VND</b>
Third parties	<u>35,293,719,188</u>	<u>37,881,456,941</u>

**7 OTHER SHORT-TERM RECEIVABLES**

	<b>2018 VND</b>	<b>2017 VND</b>
Deposits	10,203,762,997	9,435,469,066
Interest receivables from bank deposits	7,630,809,037	9,322,529,922
Advance to employees	1,185,983,056	889,602,158
Lending interest receivable (Note 32(b))	-	438,533,334
Others	2,030,511,590	5,413,389,885
	<u>21,051,066,680</u>	<u>25,499,524,365</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
Others	940,067,990	461,754,635	478,313,355	Over 6 months to 4 years
	<u>3,084,690,085</u>	<u>1,109,057,704</u>	<u>1,975,632,381</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	From 1 to 2 years
Others	843,771,286	391,333,413	452,437,873	Over 6 months to 3 years
	<u>3,383,372,438</u>	<u>1,661,133,989</u>	<u>1,722,238,449</u>	

## 9 INVENTORIES

	2018		2017	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	54,365,221,521	-	82,028,709,151	-
Raw materials	512,867,180,746	(1,417,855,580)	363,851,583,520	(1,991,437,764)
Work in progress	2,679,776,419	(5,576,282)	3,111,000,528	(7,327,172)
Finished goods	548,604,901,865	(377,510,232)	404,882,847,991	(781,953,300)
Merchandise	39,261,891,572	(9,863,955)	51,263,827,810	(11,069,040)
	<u>1,157,778,972,123</u>	<u>(1,810,806,049)</u>	<u>905,137,969,000</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 25)	-	623,910,026
Decrease (Note 25)	(980,981,227)	-
End of year	<u>1,810,806,049</u>	<u>2,791,787,276</u>

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10 PREPAID EXPENSES

(a) Short-term

	2018 VND	2017 VND
Insurance	1,268,977,788	852,525,368
Tools and supplies	4,927,578,035	4,280,452,037
Operating rental	427,274,889	3,077,921,520
Advertising	1,162,650,606	1,313,280,599
Showroom and samples	8,782,401,393	1,600,813,214
Others	2,841,766,392	1,549,038,544
	<u>19,410,649,103</u>	<u>12,674,031,282</u>

(b) Long-term

	2018 VND	2017 VND
Land rental	71,700,868,331	73,521,137,893
Tools and supplies	8,031,837,808	9,676,363,034
Operating rental	2,186,372,921	2,232,482,719
Renovation	26,785,303,151	2,202,336,653
Others	6,874,258,336	2,867,878,634
	<u>115,578,640,547</u>	<u>90,500,198,933</u>

Movements in long-term prepaid expenses during the year were as follows:

	2018 VND	2017 VND
Beginning of year	90,500,198,933	29,163,423,806
Increase	41,216,766,461	74,146,049,815
Allocation	(16,138,324,847)	(12,809,274,688)
	<u>115,578,640,547</u>	<u>90,500,198,933</u>

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11	FIXED ASSETS	Plant and buildings VND	Machinery VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
(a)	Tangible fixed assets						
	<b>Historical cost</b>						
	As at 1 January 2018	134,047,770,678	210,528,899,501	63,264,721,784	2,046,901,216	34,739,308,216	444,627,601,395
	New purchases	7,394,705,377	29,659,067,844	7,695,672,727	1,640,525,635	-	46,389,971,583
	Transfers from construction in progress (Note 12)	-	3,204,486,341	-	48,181,818	-	3,252,668,159
	Disposals	-	(9,495,576,809)	-	-	-	(9,495,576,809)
	As at 31 December 2018	141,442,476,055	233,896,876,877	70,960,394,511	3,735,608,669	34,739,308,216	484,774,664,328
	<b>Accumulated depreciation</b>						
	As at 1 January 2018	26,823,031,378	58,763,560,099	17,390,482,672	944,943,860	23,352,192,073	127,274,210,082
	Charge for the year	11,296,529,244	23,272,165,583	7,836,273,445	424,470,717	2,507,313,180	45,336,752,169
	Disposals	-	(1,078,911,147)	-	-	-	(1,078,911,147)
	As at 31 December 2018	38,119,560,622	80,956,814,535	25,226,756,117	1,369,414,577	25,859,505,253	171,532,051,104
	<b>Net book value</b>						
	As at 1 January 2018	107,224,739,300	151,765,339,402	45,874,239,112	1,101,957,356	11,387,116,143	317,353,391,313
	As at 31 December 2018	103,322,915,433	152,940,062,342	45,733,638,394	2,366,194,092	8,879,802,963	313,242,613,224

Historical cost of tangible fixed assets fully depreciated but still in use as at 31 December 2018 was VND21.7 billion (as at 31 December 2017: VND16.1 billion).

As at 31 December 2018 tangible fixed assets with total carrying value of VND86 billion (as at 31 December 2017: VND84 billion) were pledged with banks as security for short-term borrowings granted to the Company (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 fully amortised intangible fixed assets 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 Company (Note 18).

**12 CONSTRUCTION IN PROGRESS**

	2018 VND	2017 VND
Office renovation	6,901,415,925	810,144,796
Machinery and equipment	183,740,736	3,520,000
	<u>7,085,156,661</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	34,378,813,858	30,623,322,583
Transfers to tangible assets (Note 11(a))	(3,252,668,159)	(27,744,032,577)
Transfers to intangible assets	-	(15,060,822,760)
Transfers to prepaid expenses	(24,854,653,834)	(58,076,028,113)
Others	-	(43,212,750)
	<u>7,085,156,661</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	210,871,091,094	244,202,546,853
	<u>236,830,890,564</u>	<u>275,086,650,218</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		
Vinhomes Joint Stock Company	18,708,808,745	-
Others	149,343,798,900	195,346,277,839
	<u>168,052,607,645</u>	<u>195,346,277,839</u>

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

Movements in tax and other receivable 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	41,132,580	(47,478,875,925)	47,439,431,961	1,688,616
Others	10,710,992	(558,591,728)	555,913,980	8,033,244
	<u>1,192,733,148</u>	<u>(42,388,913,427)</u>	<u>46,394,173,332</u>	<u>5,197,993,053</u>
<b>b) Payables</b>				
Value added tax on domestic sales	10,972,533,255	74,582,175,453	(56,990,445,760)	28,564,262,948
Business income tax	6,460,573,203	135,607,903,367	(117,832,306,273)	24,236,170,297
Personal income tax	7,863,564,508	20,754,040,272	(22,216,917,238)	6,400,687,542
	<u>25,296,670,966</u>	<u>230,944,119,092</u>	<u>(197,039,669,271)</u>	<u>59,201,120,787</u>

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**16 PAYABLES TO EMPLOYEES**

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

**17 SHORT-TERM ACCRUED EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Staff costs	17,618,991,065	10,923,479,532
Commision	4,986,190,212	3,219,377,845
Marketing expenses	582,400,000	2,977,787,227
Others	4,803,185,836	2,260,310,670
	<u>27,990,767,113</u>	<u>19,380,955,274</u>

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18 SHORT-TERM BORROWINGS

	As at 1.1.2018 VND	Drawdown VND	Repayments VND	As at 31.12.2018 VND
Bank loans (*)	95,910,040,002	1,068,959,118,135	(837,773,345,033)	327,095,813,104

(\*) Details of short-term bank loans were 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, machineries and equipment
Vietnam Joint Stock Commercial Bank for Industry and Trade ("Vietinbank")	VND	25,429,033,852	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/HETG and annex number 926/2018/01/001/HETG/SĐBS01 at Viettin Bank - Branch No.8 with the value of VND122 billion

327,095,813,104

**19 DEFERRED INCOME TAX**

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	290,272,008	-

The gross movement in deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>2018 VND</b>	<b>2017 VND</b>
Beginning of year	-	-
Income statement credit (Note 29)	290,272,008	-
End of year	290,272,008	-

Details of deferred tax assets

	<b>2018 VND</b>	<b>2017 VND</b>
Deductible temporary differences	290,272,008	-

The Company uses tax rate of 20% for determining deferred tax assets. Deferred tax assets mainly arise from deductible temporary differences relating to accrued expenses.

**20 OWNERS' CAPITAL****(a) Number of ordinary shares**

	<b>2018</b>	<b>2017</b>
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

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20 OWNERS' CAPITAL (continued)

(b) Details of owners' shareholding

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

(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	<u>42,806,522</u>	<u>428,065,220,000</u>
New shares issued	37,509,547	375,095,470,000
As at 31 December 2018	<u>80,316,069</u>	<u>803,160,690,000</u>

Par value per share: VND10,000.

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21 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and development funds VND	Undistributed earnings VND	Total VND
As at 1 January 2017	406,000,000,000	539,650,000,000	-	-	411,939,817,896	1,357,589,817,896
Capital increased during the year	22,065,220,000	286,358,726,600	-	-	-	308,423,946,600
Net profit for the year	-	-	-	-	479,829,650,286	479,829,650,286
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	-	-	769,969,468,182	2,024,043,414,782
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	-	-	-	-	477,633,776,627	477,633,776,627
Appropriation to the investment and development fund (iv)	-	-	-	28,789,779,018	(28,789,779,018)	-
Appropriation to the bonus and welfare fund (iv)	-	-	-	-	(14,394,889,509)	(14,394,889,509)
Treasury shares	-	-	(16,000,000)	-	-	(16,000,000)
Transfer to bonus and welfare fund (v)	-	-	-	(15,000,000,000)	-	(15,000,000,000)
Other	-	-	-	(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	842,562,236,282	2,479,389,413,584



**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 Company in 2017.
- (ii) Pursuant to the Resolution of General Meeting No. 72/2017/NQ-GAC dated 28 April 2017, the Company 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 by cash (Note 21)	-	(121,800,000,000)
Dividends paid by shares (Note 21)	(361,856,340,000)	-
	<hr/>	<hr/>
End of year	<hr/> <hr/>	<hr/> <hr/>

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

Included in cash and cash equivalents were balances held in foreign currencies of US\$44,490 and EUR6,522 (as at 31 December 2017: US\$17,101).

**(b) Operating lease assets**

The future minimum lease payments under non-cancellable operating leases are VND98,664,910,627 and VND104,918,953,150 for the year ended 31 December 2018 and 31 December 2017, respectively (Note 33).

**(c) Bad debts written off**

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

**24 NET REVENUE OF SALES OF GOODS AND RENDERING OF SERVICES**

	<b>2018 VND</b>	<b>2017 VND</b>
<b>Revenue</b>		
Revenue from sales of goods	2,298,472,765,285	1,955,173,914,819
Revenue from rendering of services	1,380,331,634,644	1,057,171,487,560
	<u>3,678,804,399,929</u>	<u>3,012,345,402,379</u>
<b>Sales deductions</b>		
Sales returns	(6,066,659,669)	(7,760,260,839)
Sales allowances	(102,961,270)	(85,200,228)
	<u>(6,169,620,939)</u>	<u>(7,845,461,067)</u>
<b>Net revenue from sales of goods and rendering of services</b>		
Net revenue from sales of goods	2,292,303,144,346	1,947,328,453,752
Net revenue from rendering of services	1,380,331,634,644	1,057,171,487,560
	<u>3,672,634,778,990</u>	<u>3,004,499,941,312</u>

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**25 COST OF GOODS SOLD AND SERVICES RENDERED**

	<b>2018 VND</b>	<b>2017 VND</b>
Cost of finished goods sold	1,550,154,188,466	1,283,928,604,361
Cost of services rendered	1,112,861,696,800	776,960,071,154
(Reversal of provision)/provision for decline in value of inventories (Note 9)	(980,981,227)	623,910,026
	<u>2,662,034,904,039</u>	<u>2,061,512,585,541</u>

**26 FINANCIAL INCOME**

	<b>2018 VND</b>	<b>2017 VND</b>
Interest income from bank deposits	28,260,137,985	24,630,929,262
Interest income from lending to related parties (Note 32(a)(vii))	5,418,078,691	5,273,344,443
Realised foreign exchange gains	4,684,748,603	1,648,988,243
Net gain from foreign currency translation at year-end	13,546,096	-
	<u>38,376,511,375</u>	<u>31,553,261,948</u>

**27 SELLING EXPENSES**

	<b>2018 VND</b>	<b>2017 VND</b>
Staff costs	120,038,782,462	96,890,527,192
Transportation	74,722,595,249	58,221,608,812
Marketing and advertising	60,081,614,610	38,099,813,513
Rental	14,378,167,222	6,451,463,800
Commission	12,993,246,589	22,156,652,819
Tools and supplies	8,894,964,732	12,929,298,838
Depreciation	8,874,245,695	6,611,860,460
Repair and maintenance	7,917,445,725	5,380,528,645
Others	37,379,756,791	16,561,352,461
	<u>345,280,819,075</u>	<u>263,303,106,540</u>

**28 GENERAL AND ADMINISTRATION EXPENSES**

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Staff costs	43,369,559,864	48,009,554,603
Professional fees	2,149,456,459	4,481,611,477
Depreciation	1,564,087,895	1,333,059,601
Tools and supplies	1,832,339,157	1,737,632,495
Provision for doubtful debts (Note 8)	253,393,932	1,206,383,191
Others	34,417,274,292	31,469,542,220
	<u>83,586,111,599</u>	<u>88,237,783,587</u>

**29 BUSINESS INCOME TAX**

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

	<b>2018</b> <b>VND</b>	<b>2017</b> <b>VND</b>
Net accounting profit before tax	612,951,407,986	617,245,952,123
Tax calculated at a rate of 20%	122,590,281,597	123,449,190,425
Effect of:		
Expenses not deductible for tax purposes	12,341,029,059	13,967,111,412
Under-provision in previous years	386,320,703	-
Business income tax charge (*)	<u>135,317,631,359</u>	<u>137,416,301,837</u>
Charged/(credited) to income statement:		
Business income tax – current	135,607,903,367	137,416,301,837
Business income tax – deferred (Note 19)	(290,272,008)	-
	<u>135,317,631,359</u>	<u>137,416,301,837</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.

**30 COST OF OPERATIONS BY FACTOR**

	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Raw materials	2,348,916,154,355	1,863,427,157,754
Staff costs	548,110,336,468	400,355,298,646
Outside services	233,341,795,714	183,863,038,538
Tools and supplies	110,826,669,839	45,157,469,325
Transportation	76,154,274,591	59,146,131,733
Depreciation	47,999,846,239	38,943,034,520
Others	138,684,338,382	102,595,199,113
	<u>3,504,033,415,588</u>	<u>2,693,487,329,629</u>

**31 ADDITIONAL INFORMATION FOR THE ITEMS OF THE STATEMENT OF CASH FLOWS****Non-cash transactions affect the statement of cash flows**

	<u>Year ended 31 December</u>	
	<b>2018</b>	<b>2017</b>
	<b>VND</b>	<b>VND</b>
Dividends paid by shares	361,856,340,000	-
Investments in subsidiary by offsetting with short-term lendings	125,000,000,000	-
Transfer from construction in progress to long-term prepayments	<u>24,854,653,834</u>	<u>-</u>

**32 RELATED PARTY DISCLOSURES**

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

<b>Entity</b>	<b>Relationship</b>
Malloca Vietnam Limited Company	Subsidiary of the Company
An Cuong Wood-Working Limited Company	Subsidiary of the Company
AConcept Vietnam Limited Company	Indirect subsidiary of the Company (Subsidiary of Malloca Vietnam Limited Company)
NC Vietnam Investment Limited	Controlling shareholder
Whitlam Holding Pte. Ltd.,	Significant influence shareholder
Trung Hieu Plywood Private Enterprise	Controlled by Chairman's family member

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32 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions

	2018 VND	2017 VND
<b>(i) Revenue from sales of goods</b>		
Trung Hieu Plywood Private Enterprise	86,583,756,482	85,179,344,250
Malloca Vietnam Company Limited	54,698,170,454	48,491,839,878
AConcept Vietnam Company Limited	45,239,787,060	36,010,625,419
An Cuong Wood-Working Manufacturing Company Limited	22,165,242,565	-
	<u>208,686,956,561</u>	<u>169,681,809,547</u>
<b>(ii) Purchases of goods</b>		
Malloca Vietnam Company Limited	18,724,312,840	15,532,049,651
AConcept Vietnam Company Limited	1,527,064,723	195,327,682
An Cuong Wood-Working Manufacturing Company Limited	1,061,655,436	-
	<u>21,313,032,999</u>	<u>15,727,377,333</u>
<b>(iii) Sales of fixed assets</b>		
An Cuong Wood-Working Manufacturing Company Limited	8,048,466,360	-
<b>(iv) Purchases of fixed assets</b>		
AConcept Vietnam Company Limited	3,578,531,258	-
<b>(v) Compensation of key management</b>		
Gross salaries and other benefits	33,510,846,519	22,424,334,969
<b>(vi) Financing activities</b>		
<b>Investments</b>		
Malloca Vietnam Company Limited	-	30,000,000,000
An Cuong Wood - Working Manufacturing Company Limited	396,600,000,000	200,000,000,000
	<u>396,600,000,000</u>	<u>230,000,000,000</u>

## 32 RELATED PARTY DISCLOSURES (continued)

## (a) Related party transactions

	2018 VND	2017 VND
<b>(vi) Financing activities (continued)</b>		
<b>Short-term borrowings</b>		
Borrowings from An Cuong Wood - Working Manufacturing Company Limited	30,000,000,000	-
Repayments of borrowings to An Cuong Wood - Working Manufacturing Company Limited	30,000,000,000	-
	<u>60,000,000,000</u>	<u>-</u>
<b>Short-term lendings</b>		
Lendings to An Cuong Wood - Working Manufacturing Company Limited	14,000,000,000	-
Collections of lendings to NC Vietnam Investment Ltd.	33,000,000,000	20,000,000,000
Collections of lendings to Malloca Vietnam Company Limited	22,000,000,000	-
	<u>69,000,000,000</u>	<u>20,000,000,000</u>
<b>(vii) Other transactions</b>		
<b>Interest income from short-term lendings (Note 26)</b>		
NC Vietnam Investment Ltd.	1,558,953,884	2,556,805,556
Malloca Vietnam Company Limited	2,641,870,014	2,716,538,887
An Cuong Wood - Working Manufacturing Company Limited	1,217,254,793	-
	<u>5,418,078,691</u>	<u>5,273,344,443</u>
<b>Interest expenses</b>		
An Cuong Wood - Working Manufacturing Company Limited	91,434,522	-
	<u>91,434,522</u>	<u>-</u>
<b>Dividend paid during the year</b>		
NC Vietnam Investment Ltd.	194,012,000,000	70,980,000,000
Withlam Holding Pte Ltd.	71,340,000,000	26,100,000,000
	<u>265,352,000,000</u>	<u>97,080,000,000</u>

## 32 RELATED PARTY DISCLOSURES (continued)

## (b) Year end balances with related parties

	2018 VND	2017 VND
<b>Short-term trade accounts receivable (Note 5)</b>		
Malloca Vietnam Company Limited	10,326,247,570	14,580,796,063
Trung Hieu Plywood Private Enterprise	8,038,038,217	9,056,889,832
AConcept Vietnam Company Limited	16,799,960,492	6,416,360,289
An Cuong Wood - Working Manufacturing Company Limited	20,519,362,090	-
	<u>55,683,608,369</u>	<u>30,054,046,184</u>
<b>Short-term lendings</b>		
NC Vietnam Investment Limited	-	33,000,000,000
Malloca Vietnam Company Limited (*)	28,000,000,000	50,000,000,000
An Cuong Wood - Working Manufacturing Company Limited (**)	14,000,000,000	-
	<u>42,000,000,000</u>	<u>83,000,000,000</u>
(*) Pursuant to three lending contracts dated 16 November 2015 and 30 March 2016 and their appendix dated 1 January 2019, short-term lendings to Malloca Vietnam Company Limited are unsecured, bear interest at the interest rate of 5.6% per annum (2017: 5.2% per annum) and are due for repayment on 31 December 2019.		
(**) Pursuant to lending contracts No. 1112/2018-TD-GAC dated 11 December 2018, 1412/2018-TD-GAC dated 14 December 2018, 1712/2018-TD-GAC dated 17 December 2018, 2412/2018-TD-GAC dated 24 December 2018 and 2812/2018-TD-GAC dated 28 December 2018. These short-term lendings are unsecured, they bear interest at the interest rate of 6% per annum and are due for repayment in June 2019.		
<b>Other short-term receivables (Note 7)</b>		
NC Vietnam Investment Limited	-	438,533,334



**33 COMMITMENTS AND CONTINGENCIES**

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	17,998,031,420	17,624,802,720
Between one and five years	43,466,026,916	37,633,116,032
Over five years	37,200,852,291	49,661,034,398
Total minimum payments	<u>98,664,910,627</u>	<u>104,918,953,150</u>

**34 SEGMENT REPORTING***Geographical segments*

The Company has performed all manufacturing and trading and services in Vietnam only. Therefore, the Company 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 Company, whereas, other incomes account for a small proportion in total revenue of the Company, therefore, the Board of Management of the Company assumed that the Company is in one business activity segment only.

**35 EVENT AFTER THE BALANCE SHEET DATE**

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

**36 COMPARATIVE FIGURES**

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

The separate financial statements were approved by the Board of Management on 22 March 2019.



Nguyen Thi Hong Lan  
Preparer



Thieu Thi Ngoc Diem  
Chief Accountant



Le Duc Nghia  
General Director