



THIEN LONG GROUP CORPORATION

(Incorporated in the Socialist Republic of Vietnam)

SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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THIEN LONG GROUP CORPORATION

Lot 6-8-10-12, Road No. 3, Tan Tao Industrial Park
Binh Tan District, Ho Chi Minh City, Vietnam

STATEMENT OF THE BOARD OF MANAGEMENT

The Board of Management of Thien Long Group Corporation (the "Company") presents this report together with the Company's separate financial statements for the year ended 31 December 2018.

THE BOARD OF DIRECTORS, BOARD OF SUPERVISORS, BOARD OF MANAGEMENT AND OTHER MANAGEMENT PERSONNEL

The members of the Board of Directors, Board of Supervisors, Board of Management and other Management Personnel of the Company who held office during the year and to the date of this report are as follows:

Board of Directors

Mr. Co Gia Tho	Chairman
Mr. Tran Kim Thanh	Vice Chairman
Mr. Tran Le Nguyen	Member
Mr. Huynh Van Thien	Member
Ms. Tran Thai Nhu	Member
Ms. Co Ngan Binh	Member
Ms. Co Cam Nguyet	Member
Mr. Tran Van Hung	Member

Board of Supervisors

Ms. Nguyen Thi Bich Nga	Head
Mr. Dinh Duc Hau	Member
Ms. Ta Hong Diep	Member

Board of Management

Mr. Nguyen Dinh Tam	Chief Executive Officer
Mr. Bui Van Huong	Deputy General Director
Mr. Phan Nhut Phuong	Deputy General Director
Mr. Nguyen Thuong Viet	Deputy General Director
Mr. Tran Trung Hiep	Deputy General Director
Ms. Tran Phuong Nga	Deputy General Director

Other Management Personnel

Mr. Nguyen Ngoc Nhon	Chief Accountant
Mr. Dinh Quang Hung	Production Director
Mr. Pham Huu Chi	R&D Director
Mr. Nguyen Duc Hanh	IT Director
Mr. Diep Bao Tinh	Engineering Technology Director
Mr. Trinh Van Hao	Marketing Director

Legal representative

Legal representative of the Company during the year and to the date of these separate financial statements is Mr. Co Gia Tho. Mr. Nguyen Dinh Tam is authorised to sign the separate financial statements for year ended 31 December 2018.

THIEN LONG GROUP CORPORATION

Lot 6-8-10-12, Road No. 3, Tan Tao Industrial Park
Binh Tan District, Ho Chi Minh City, Vietnam

STATEMENT OF THE BOARD OF MANAGEMENT (Continued)

THE BOARD OF MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Board of Management of the Company is responsible for preparing separate financial statements which give a true and fair view of the separate financial position of the Company as at 31 December 2018 and of its separate results and separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these separate financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the separate financial statements;
- prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the separate financial statements so as to minimise errors and frauds.

The Board of Management is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the separate financial position of the Company and that the separate financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. 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 frauds and other irregularities.

The Board of Management confirms that the Company has complied with the above requirements in preparing these separate financial statements.

For and on behalf of the Board of Management,



Nguyen Dinh Tam
Chief Executive Officer
29 March 2019

No.: 757 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders
The Board of Directors, Board of Supervisors and Board of Management
Thien Long Group Corporation**

We have audited the accompanying separate financial statements of Thien Long Group Corporation (the "Company"), prepared on 29 March 2019 as set out from page 4 to page 27, which comprise the separate balance sheet as at 31 December 2018, the separate income statement and separate cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Management's Responsibility for the Separate Financial Statements

The Board of Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting, and for such internal control as the Board of Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the 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.

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, and its separate financial performance and its separate cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



Nguyen Minh Thao
Audit Partner
Audit Practising Registration Certificate
No. 1902-2018-001-1
**BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED**
29 March 2019
Ho Chi Minh City, Vietnam

Vong My Thanh
Auditor
Audit Practising Registration Certificate
No. 3460-2015-001-1

SEPARATE BALANCE SHEET
 As at 31 December 2018

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		726,109,095,421	734,324,939,308
I. Cash and cash equivalents	110	4	112,647,434,664	322,850,438,614
1. Cash	111		72,647,434,664	52,850,438,614
2. Cash equivalents	112		40,000,000,000	270,000,000,000
II. Short-term receivables	130		289,840,144,741	150,180,480,907
1. Short-term trade receivables	131	5	283,923,663,542	139,275,524,804
2. Short-term advances to suppliers	132	6	3,229,480,583	8,669,031,174
3. Other short-term receivables	136	7	2,687,000,616	2,235,924,929
III. Inventories	140	8	318,209,262,556	248,459,604,999
1. Inventories	141		332,011,236,768	258,920,646,221
2. Provision for devaluation of inventories	149		(13,801,974,212)	(10,461,041,222)
IV. Other short-term assets	150		5,412,253,460	12,834,414,788
1. Short-term prepayments	151	9	5,412,253,460	8,693,236,608
2. Value added tax deductibles	152		-	4,141,178,180
B. NON-CURRENT ASSETS	200		621,950,444,642	493,337,253,786
I. Long-term receivables	210		979,197,328	881,047,328
1. Other long-term receivables	216	7	979,197,328	881,047,328
II. Fixed assets	220		259,582,044,734	257,949,625,148
1. Tangible fixed assets	221	10	237,430,025,218	172,377,737,838
- Cost	222		536,521,320,356	435,324,410,827
- Accumulated depreciation	223		(299,091,295,138)	(262,946,672,989)
2. Intangible assets	227	11	22,152,019,516	85,571,887,310
- Cost	228		54,620,235,881	113,131,555,948
- Accumulated amortisation	229		(32,468,216,365)	(27,559,668,638)
III. Investment property	230	12	59,888,350,067	-
- Cost	231		59,888,350,067	-
IV. Long-term assets in progress	240		64,369,336,133	45,774,959,263
1. Construction in progress	242	13	64,369,336,133	45,774,959,263
V. Long-term financial investments	250	14	219,936,762,423	177,194,488,391
1. Investments in subsidiaries	251		199,500,000,000	157,500,000,000
2. Equity investments in other entities	253		30,685,000,000	30,685,000,000
3. Provision for impairment of long-term financial investments	254		(10,248,237,577)	(10,990,511,609)
VI. Other long-term assets	260		17,194,753,957	11,537,133,656
1. Long-term prepayments	261	9	8,134,647,412	3,660,199,734
2. Deferred tax assets	262	15	9,060,106,545	7,876,933,922
TOTAL ASSETS (270=100+200)	270		1,348,059,540,063	1,227,662,193,094

The accompanying notes are an integral part of these separate financial statements

SEPARATE BALANCE SHEET (Continued)
 As at 31 December 2018

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		310,755,867,971	371,512,933,781
I. Current liabilities	310		287,330,064,967	346,478,788,090
1. Short-term trade payables	311	16	75,747,832,423	126,056,833,231
2. Short-term advances from customers	312		3,107,151,405	332,002,425
3. Taxes and amounts payable to the State budget	313	17	6,973,952,827	4,880,996,592
4. Payables to employees	314		9,180,285,000	8,832,331,791
5. Short-term accrued expenses	315	18	34,270,913,582	30,293,228,778
6. Other current payables	319	19	4,457,168,818	54,757,451,030
7. Short-term loans	320	21	141,950,848,924	108,413,560,982
8. Bonus and welfare funds	322	24	11,641,911,988	12,912,383,261
II. Long-term liabilities	330		23,425,803,004	25,034,145,691
1. Long-term loans	338	22	-	2,651,333,601
2. Long-term provisions	342	20	23,425,803,004	22,382,812,090
D. EQUITY	400		1,037,303,672,092	856,149,259,313
I. Owner's equity	410	23	1,037,303,672,092	856,149,259,313
1. Owner's contributed capital	411		657,228,530,000	505,562,560,000
- Ordinary shares carrying voting rights	411a		657,228,530,000	505,562,560,000
2. Share premium	412		28,281,183,000	28,281,183,000
3. Investment and development fund	418		158,051,613,498	125,884,643,498
4. Retained earnings	421		193,742,345,594	196,420,872,815
- Losses accumulated to the prior year end	421a		(50,369,624,574)	(11,600,251,174)
- Retained earnings of the current year	421b		244,111,970,168	208,021,123,989
TOTAL RESOURCES (440=300+400)	440		1,348,059,540,063	1,227,662,193,094



Hoang Tan Tai
Preparer



Nguyen Ngoc Nhon
Chief Accountant




Nguyen Dinh Tam
Chief Executive Officer
29 March 2019

SEPARATE INCOME STATEMENT
 For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold	01		1,407,098,906,846	1,240,427,901,076
2. Deductions	02		14,880,325,174	16,679,530,772
3. Net revenue from goods sold (10=01-02)	10	26	1,392,218,581,672	1,223,748,370,304
4. Cost of sales	11		900,338,094,611	775,144,129,317
5. Gross profit from goods sold (20=10-11)	20		491,880,487,061	448,604,240,987
6. Financial income	21	28	111,013,477,946	117,018,532,330
7. Financial expenses	22	29	11,058,831,539	8,660,374,147
- In which: Interest expense	23		7,879,543,255	7,073,342,463
8. Selling expenses	25	30	113,684,157,694	74,718,962,217
9. General and administration expenses	26	30	176,321,678,174	161,741,090,308
10. Operating profit (30=20+(21-22)-(25+26))	30		301,829,297,600	320,502,346,645
11. Other income	31		7,607,439,805	7,714,412,477
12. Other expenses	32		112,260,408	302,251,749
13. Profit from other activities (40=31-32)	40	31	7,495,179,397	7,412,160,728
14. Accounting profit before tax (50=30+40)	50		309,324,476,997	327,914,507,373
15. Current corporate income tax expense	51	32	43,682,616,114	46,579,953,723
16. Deferred corporate tax (income)/expense	52	15	(1,183,172,623)	846,466,842
17. Net profit after corporate income tax (60=50-51-52)	60		266,825,033,506	280,488,086,808


 Hoang Tan Tai
 Preparer


 Nguyen Ngoc Nhon
 Chief Accountant


 Nguyen Dinh Tam
 Chief Executive Officer
 29 March 2019



SEPARATE CASH FLOW STATEMENT
 For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	309,324,476,997	327,914,507,373
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	42,348,816,935	34,216,588,883
Provisions	03	3,641,649,872	(1,325,296,670)
Foreign exchange loss/(gain) arising from translating foreign currency items	04	484,786,858	(71,356,818)
Gain from investing activities	05	(107,141,613,987)	(115,083,777,373)
Interest expense	06	7,879,543,255	7,073,342,463
3. Operating profit before movements in working capital	08	256,537,659,930	252,724,007,858
Increases in receivables	09	(134,928,100,093)	(79,097,902,350)
Increases in inventories	10	(73,090,590,547)	(37,542,693,394)
(Decrease)/increase in payables	11	(30,441,939,510)	14,955,624,523
Increases in prepaid expenses	12	(243,713,515)	(5,227,432,255)
Interest paid	14	(7,720,463,535)	(7,078,484,819)
Corporate income tax paid	15	(43,439,027,138)	(47,932,556,797)
Other cash outflows	17	(36,272,836,000)	(51,120,381,000)
Net cash (used in)/generated by operating activities	20	(69,599,010,408)	39,680,181,766
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(136,265,399,066)	(112,807,782,705)
2. Proceeds from sale, disposals of fixed assets	22	786,721,307	2,093,415,520
3. Equity investments in other entities	25	(42,000,000,000)	(5,000,000,000)
4. Interest, dividends and profits received	27	107,211,288,858	114,069,845,807
Net cash used in investing activities	30	(70,267,388,901)	(1,644,521,378)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from share issue	31	-	22,500,000,000
2. Proceeds from borrowings	33	603,147,785,400	309,719,754,011
3. Repayment of borrowings	34	(572,261,831,059)	(343,283,649,645)
4. Dividends paid	36	(101,107,152,100)	(57,508,258,525)
Net cash used in financing activities	40	(70,221,197,759)	(68,572,154,159)
Net decreases in cash (50=20+30+40)	50	(210,087,597,068)	(30,536,493,771)
Cash and cash equivalents at the beginning of the year	60	322,850,438,614	353,383,432,488
Effects of changes in foreign exchange rates	61	(115,406,882)	3,499,897
Cash and cash equivalents at the end of the year (70=50+60+61)	70	112,647,434,664	322,850,438,614


 Hoang Tan Tai
 Preparer


 Nguyen Ngoc Nhon
 Chief Accountant


 Nguyen Dinh Tam
 Chief Executive Officer
 29 March 2019



NOTES TO THE SEPARATE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the separate financial statements

1. GENERAL INFORMATION

Structure of ownership

Thien Long Group Corporation was incorporated in Vietnam as a joint stock company under the Business Registration Certificate No. 4103003187 dated 14 March 2005 issued by the Department of Planning and Investment of Ho Chi Minh City, as amended. According to the fifteenth amended Business Registration Certificate dated 26 September 2018, the Company's charter capital is VND 657,228,530,000.

The Company's shares were listed on Ho Chi Minh Stock Exchange with "TLG" code in accordance with Decision No. 20/QĐ-SGDHCM dated 2 February 2010 issued by the Ho Chi Minh Stock Exchange.

Major shareholders of the Company are Thien Long An Thinh Investment Corporation owning 51.66% and Mr. Co Gia Tho owning 6.36% of share capital of the Company.

The Company's head office is located at Lot 6-8-10-12, Road No. 3, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City, Vietnam.

The number of employees of the Company as at 31 December 2018 was 1,536 (as at 31 December 2017: 1,556).

Operating industry and principal activities

The Company's operating industry are to manufacture and sell stationeries products, class room equipment.

The principal activities are to manufacture and trade stationeries products, class room equipment, plastic teaching instruments, plastic household appliances, printing stamps, tampo printing, flexo printing and performing screen - printing and pressing on products.

Normal production and business cycle

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

The Company's structure

As at 31 December 2018, the Company's subsidiaries were as follows:

	Place of registration and operation	Portion of ownership interest (%)	Portion of voting power held (%)	Principal activities
Thien Long Long Thanh Manufacturing and Trading Company Limited	Dong Nai Province	100%	100%	Manufacturing and trading stationery
Thien Long Global Trading and Service One Member Company Limited	Ho Chi Minh City	100%	100%	Trading stationery
Tan Luc South Trading and Service One Member Company Limited	Ho Chi Minh City	100%	100%	Trading stationery
Tan Luc North Trading and Service One Member Company Limited	Hanoi City	100%	100%	Trading stationery
Tan Luc Middle Trading and Service One Member Company Limited	Da Nang City	100%	100%	Trading stationery

Disclosure of information comparability in the separate financial statements

Comparative figures are the figures of the audited separate financial statements for the year ended 31 December 2017.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The separate financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The separate financial statements are prepared solely to present the separate financial position of the Company as at 31 December 2018, and its separate results of operations and cash flows for the year then ended. Therefore, the Company did not consolidate its investments in subsidiaries in these separate financial statements. The investments of the Company are recorded under the Company's policy and are presented in Note 3 as below.

The separate financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Company's financial year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these separate financial statements, are as follows:

Estimates

The preparation of separate financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Management's best knowledge, actual results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments which are highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial investments

Investments in subsidiaries

A subsidiary is an entity over which the Company has control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in subsidiaries are initially recognised at cost. The Company's share of the net profit of the investee after acquisition is recognised in the separate income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Equity investments in other entities

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment.

Provision for impairment of investment

Provisions for impairment of held-to-maturity investment, investments in subsidiaries and equity investment in other entities are made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

Receivables

Receivables represent the amounts recoverable from customers or other debtors, including trade receivables, advances to suppliers and other receivables. Receivables are stated at book value less provision for doubtful debts.

Provision for doubtful debts is when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises cost of purchases and other directly attributable expenses. In the case of manufactured products, cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	<u>Years</u>
Buildings and structures	3 - 25
Machinery and equipment	3 - 15
Motor vehicles	6 - 8
Office equipment	2 - 7
Moulds	3 - 5

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between proceeds from sales or disposals of assets and their residual values and is recognised in the separate income statement.

Intangible assets and amortisation

Intangible assets represent land use rights, computer software, copyrights, patents and other intangible fixed assets that are stated at cost less accumulated amortisation.

Definite land use rights are amortised using the straight-line method over the terms indicated in the land use right certificate. Indefinite land use rights are carried at cost and not amortised.

Other intangible assets are amortised using the straight-line method over their estimated useful lives, as follows:

	<u>Years</u>
Computer software	3 - 10
Copyrights, patents	3
Others	3

Investment property

Investment properties are composed of land use right held by the Company for capital appreciation. Investment properties held for capital appreciation are stated at cost less impairment loss. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs.

Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Company as lessee

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the separate income statement on a straight-line basis over the term of the relevant lease.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods.

Prepayments comprise costs of small tools, supplies and spare parts issued for consumption, advertising expenditures and insurance cost. These expenditures have been capitalised as prepayments, and are allocated to the separate income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

The severance pay to employee is accrued at the end of each reporting year for all employees who have been in service for more than 12 months up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code and related implementing guidance. The average monthly salary used in this calculation will be revised at the end of each reporting period following the average of the 6 consecutive months nearest to the date of the financial statements. Any increase to the accrued amount will be charged to the separate income statement.

This accrued severance pay is used to settle the severance allowance to be paid to employees upon termination of their labour contract following Article 48 of the Labour Code dated 18 June 2012.

Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, usually upon the delivery of the goods. Specifically, revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

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

Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return.

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Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Borrowing costs

Borrowing costs are recognised in the separate income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs".

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the separate income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable income differs from profit before tax as reported in the separate income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the separate income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are applied in accordance with the prevailing tax laws in Vietnam.

Dividends distribution and funds appropriation

Profit after tax is available for appropriate to shareholders after approval in the Annual General Shareholders Meeting, and after making appropriate to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Company maintains the following funds which are appropriated from profit after tax as proposed by the Board of Directors and subject to approval by shareholders at the Annual General Shareholders Meeting.

- Investment and development fund is set aside for use in the Company's expansion of its operation or of in-depth investments.
- Bonus and welfare fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits, and presented as a liability on the separate balance sheet.

4. CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	531,483,319	786,864,228
Bank demand deposits	72,115,951,345	52,063,574,386
Cash equivalents (*)	40,000,000,000	270,000,000,000
	<u>112,647,434,664</u>	<u>322,850,438,614</u>

(*) Cash equivalents represent the time deposits at commercial banks with maturity of no more than 3 months and earn interest at the applicable rate.

5. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
a. Related parties (Note 33)	218,866,855,587	86,631,820,803
b. Receivables from third-parties		
- SQI Group Int'l. Corp.	17,711,787,283	9,443,905,666
- Like Link Co., Ltd.	12,000,015,553	7,236,840,151
- Eastpoint	7,976,115,924	7,660,804,289
- Crayola LLC	6,592,190,868	294,430,118
- Other customers	20,776,698,327	28,007,723,777
	<u>283,923,663,542</u>	<u>139,275,524,804</u>

As noted further in Note 21, as at 31 December 2018, trade receivables of USD 2,000,000 was provided as collateral for loans obtained from banks (as at 31 December 2017: USD 2,000,000).

6. SHORT-TERM ADVANCES TO SUPPLIERS

	Closing balance VND	Opening balance VND
Jangoh Machinery Co.,Ltd.	1,409,272,998	1,271,479,104
D.Guan KLT & Casine E.Technology	349,713,388	-
Dokumental GmbH & Co. KG Schreibfarben	-	3,785,431,783
Other suppliers	1,470,494,197	3,612,120,287
	<u>3,229,480,583</u>	<u>8,669,031,174</u>

7. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
a. Short-term		
- Advances to employees	1,059,107,833	605,469,373
- Deposits	281,650,000	357,000,000
- Others	1,346,242,783	1,273,455,556
	<u>2,687,000,616</u>	<u>2,235,924,929</u>
b. Long-term		
- Deposits	979,197,328	881,047,328
	<u>979,197,328</u>	<u>881,047,328</u>

8. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	23,431,632,914	-	22,715,921,003	-
Raw materials	183,739,011,392	(11,781,336,529)	146,880,361,538	(8,280,221,669)
Tools and supplies	1,732,516,748	-	652,652,705	-
Work in progress	28,683,971,264	(160,586,938)	31,024,687,994	(424,267,604)
Finished goods	92,146,714,752	(1,853,588,016)	57,351,763,631	(1,755,047,769)
Merchandise	2,277,389,698	(6,462,729)	295,259,350	(1,504,180)
	332,011,236,768	(13,801,974,212)	258,920,646,221	(10,461,041,222)

As noted further in Note 21, as at 31 December 2018, inventories of USD 3,500,000 was provided as collateral for loans obtained from banks (as at 31 December 2017: USD 3,500,000).

Movements in the provision for devaluation of inventories during current year and prior year were as follows:

	Current year VND	Prior year VND
Opening balance	(10,461,041,222)	(13,815,727,198)
Additional provision	(14,500,503,470)	(3,288,102,530)
Reversal of provision	11,159,570,480	6,642,788,506
Closing balance	(13,801,974,212)	(10,461,041,222)

9. PREPAYMENTS

	Closing balance VND	Opening balance VND
a. Short-term		
- Advertising and promotion expenses	1,070,305,431	6,408,603,861
- Tools and supplies	820,461,802	544,162,997
- Health and asset insurance	1,002,523,451	440,434,748
- Others	2,518,962,776	1,300,035,002
	5,412,253,460	8,693,236,608
b. Long-term		
- Tools and supplies	6,932,452,235	3,323,535,498
- Others	1,202,195,177	336,664,236
	8,134,647,412	3,660,199,734

10. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment	Moulds VND	Total VND
COST						
Opening balance	128,546,701,859	168,566,411,698	25,075,529,849	12,928,257,438	100,207,509,983	435,324,410,827
Purchases	1,795,807,272	47,134,352,701	1,754,817,364	253,000,000	2,694,628,574	53,632,605,911
Transfer from construction in progress	7,585,143,159	31,340,400,944	-	473,800,000	11,832,600,583	51,231,944,686
Disposals	-	(1,723,878,447)	(1,401,284,153)	-	(542,478,468)	(3,667,641,068)
Closing balance	137,927,652,290	245,317,286,896	25,429,063,060	13,655,057,438	114,192,260,672	536,521,320,356
ACCUMULATED DEPRECIATION						
Opening balance	29,774,976,608	118,198,035,421	13,736,504,235	10,684,135,374	90,553,021,351	262,946,672,989
Charge for the year	6,668,935,708	21,342,499,813	3,202,423,655	1,685,504,022	6,844,386,794	39,743,749,992
Disposals	-	(1,709,359,257)	(1,401,284,153)	-	(488,484,433)	(3,599,127,843)
Closing balance	36,443,912,316	137,831,175,977	15,537,643,737	12,369,639,396	96,908,923,712	299,091,295,138
NET BOOK VALUE						
Opening balance	98,771,725,251	50,368,376,277	11,339,025,614	2,244,122,064	9,654,488,632	172,377,737,838
Closing balance	101,483,739,974	107,486,110,919	9,891,419,323	1,285,418,042	17,283,336,960	237,430,025,218
<i>In which</i>						
<i>Pledged as loan security (Note 21 and 22)</i>	6,292,870,161	14,116,491,691	-	-	383,138,907	20,792,500,759

As at 31 December 2018, the cost of tangible fixed assets included VND 192,818,195,767 (as at 31 December 2017: VND 174,139,582,799) of assets which have been fully depreciated but are still in use.

11. INTANGIBLE ASSETS

	Land use rights VND	Computer software VND	Copyrights, patents VND	Others VND	Total VND
COST					
Opening balance	69,735,975,067	42,912,602,481	367,000,000	115,978,400	113,131,555,948
Additions	-	1,377,030,000	-	-	1,377,030,000
Transfer to investment property	(59,888,350,067)	-	-	-	(59,888,350,067)
Closing balance	9,847,625,000	44,289,632,481	367,000,000	115,978,400	54,620,235,881
ACCUMULATED DEPRECIATION					
Opening balance	1,175,864,496	25,900,825,742	367,000,000	115,978,400	27,559,668,638
Charge for the year	-	4,908,547,727	-	-	4,908,547,727
Closing balance	1,175,864,496	30,809,373,469	367,000,000	115,978,400	32,468,216,365
NET BOOK VALUE					
Opening balance	68,560,110,571	17,011,776,739	-	-	85,571,887,310
Closing balance	8,671,760,504	13,480,259,012	-	-	22,152,019,516
<i>In which</i>					
<i>Pledged as loan security (Note 21)</i>	8,671,760,504	-	-	-	8,671,760,504

As at 31 December 2018, the cost of intangible assets included VND 10,174,995,633 (as at 31 December 2017: VND 5,080,039,633) of assets which have been fully amortised but are still in use.



12. INVESTMENT PROPERTY

As at 31 December 2018, the investment property of the Company includes land use right at Lot 209, Thac Gian Ward, Thanh District, Da Nang City. This property is held for sales pursuant to the Board of Directors' Resolution No. 16/2018/NQ-HDQT dated 27 November 2018.

According to VAS No. 05 - *Investment Properties*, fair value of investment property as at 31 December 2018 is required to be disclosed. However, the Company could not determine the fair value as at 31 December 2018 as the Company is unable to reference to market price of similar property; therefore, no information about the fair value is disclosed in the notes to the financial statements.

13. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Moulds under installation	15,552,737,327	7,748,113,019
Equipment under installation	46,383,344,530	25,889,998,472
Others	2,433,254,276	12,136,847,772
	<u>64,369,336,133</u>	<u>45,774,959,263</u>

14. LONG-TERM FINANCIAL INVESTMENTS

Detailed balance of investments in subsidiaries, other long-term investments and provision for impairment of long-term financial investments as at 31 December 2018 and 31 December 2017 were as follows:

	Closing balance VND	Opening balance VND
Investment in subsidiaries		
Thien Long Long Thanh Manufacturing and Trading Company Limited	69,500,000,000	69,500,000,000
Thien Long Global Trading and Service One Member Company Limited	40,000,000,000	40,000,000,000
Tan Luc South Trading and Service One Member Company Limited	40,000,000,000	25,000,000,000
Tan Luc North Trading and Service One Member Company Limited	40,000,000,000	13,000,000,000
Tan Luc Middle Trading and Service One Member Company Limited	10,000,000,000	10,000,000,000
	<u>199,500,000,000</u>	<u>157,500,000,000</u>
Other long-term investments		
Kinh Do Land Corporation	25,000,000,000	25,000,000,000
Saigon Securities Investment Fund A2	3,565,000,000	3,565,000,000
Brilliant Chip Joint Stock Company	1,520,000,000	1,520,000,000
Printing No. 7 Joint Stock Company	600,000,000	600,000,000
	<u>30,685,000,000</u>	<u>30,685,000,000</u>
Provision for long-term investments		
Kinh Do Land Corporation	(6,092,220,000)	(6,855,154,406)
Saigon Securities Investment Fund A2	(3,565,000,000)	(3,565,000,000)
Brilliant Chip Joint Stock Company	(591,017,577)	(570,357,203)
	<u>(10,248,237,577)</u>	<u>(10,990,511,609)</u>
Net long-term investments	<u>219,936,762,423</u>	<u>177,194,488,391</u>

Changes in the provision for long-term investments during the current year and prior year were as follows:

	Current year VND	Prior year VND
Opening balance	(10,990,511,609)	(10,849,116,893)
Additional provision	(20,660,374)	(141,394,716)
Reversal of provision	762,934,406	-
Closing balance	<u>(10,248,237,577)</u>	<u>(10,990,511,609)</u>

15. DEFERRED TAX ASSETS

The following are the major deferred tax liabilities and assets recognised by the Company, and the movements thereon, during the year and prior year:

	Accrued expense VND	Provisions VND	Allocated expense VND	Foreign exchange difference VND	Total VND
Prior year's opening balance	664,979,940	7,693,396,417	394,531,867	(29,507,460)	8,723,400,764
Credit/(charge) to profit for the year	(39,402,915)	(408,564,799)	(394,531,867)	(3,967,261)	(846,466,842)
Current year's opening balance	625,577,025	7,284,831,618	-	(33,474,721)	7,876,933,922
Credit/(charge) to profit for the year	147,922,616	906,892,923	-	128,357,084	1,183,172,623
Current year's closing balance	773,499,641	8,191,724,541	-	94,882,363	9,060,106,545

16. SHORT-TERM TRADE PAYABLES

	Closing balance VND	Opening balance VND
a. Related parties (Note 33)	5,619,069,126	22,541,466,210
b. Payable to third-parties		
- Basell Asia Pacific	7,781,641,445	-
- Teibow Co., Ltd.	3,687,707,376	19,859,449,400
- Aubex Corporation	955,648,800	11,041,373,000
- Other suppliers	57,703,765,676	72,614,544,621
	75,747,832,423	126,056,833,231

17. TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	Opening balance VND	Increase during the year VND	Decrease during the year VND	Closing balance VND
Output value added tax	24,966,915	56,537,911,193	(54,812,586,515)	1,750,291,593
Import tax	15,280,650	9,902,626,576	(9,917,907,226)	-
Corporate income tax	4,118,012,436	43,682,616,114	(43,439,027,138)	4,361,601,412
Personal income tax	722,736,591	16,209,721,426	(16,070,398,195)	862,059,822
	4,880,996,592	126,332,875,309	(124,239,919,074)	6,973,952,827

18. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
13 th & 14 th month salary and incentive	29,971,660,000	26,892,668,000
Advertisement and marketing expenses	1,841,443,151	2,072,216,669
Interest expense	431,755,375	272,675,655
Others	2,026,055,056	1,055,668,454
	34,270,913,582	30,293,228,778

19. OTHER CURRENT PAYABLES

	Closing balance VND	Opening balance VND
Dividends	46,807,350	50,597,703,450
Trade union fee	916,853,723	872,692,000
Others	3,493,507,745	3,287,055,580
	4,457,168,818	54,757,451,030

20. LONG-TERM PROVISIONS

Long-term provisions represent the provision for severance allowance as accounting policy disclosed in Note 3.

21. SHORT-TERM LOANS

	Opening balance		During the year		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off VND
a. Short-term loans						
Bank for Investment and Development of Vietnam JSC – West Saigon Branch	41,937,268,780	41,937,268,780	290,340,049,790	(266,967,596,664)	65,309,721,906	65,309,721,906
Vietnam Joint Stock Commercial Bank for Industry and Trade – West Saigon Branch	16,408,515,384	16,408,515,384	58,564,939,830	(72,909,696,152)	2,063,759,062	2,063,759,062
HSBC Bank (Vietnam) Ltd. – Ho Chi Minh Branch	41,260,738,468	41,260,738,468	93,840,419,412	(97,419,404,954)	37,681,752,926	37,681,752,926
United Overseas Bank Vietnam – Ho Chi Minh Branch	3,504,390,750	3,504,390,750	160,402,376,368	(129,662,485,689)	34,244,281,429	34,244,281,429
	103,110,913,382	103,110,913,382	603,147,785,400	(566,959,183,459)	139,299,515,323	139,299,515,323
b. Current portion of long-term loans (Note 22)	5,302,647,600	5,302,647,600	2,651,333,601	(5,302,647,600)	2,651,333,601	2,651,333,601
	108,413,560,982	108,413,560,982	605,799,119,001	(572,261,831,059)	141,950,848,924	141,950,848,924

Short-term loan with Joint Stock Commercial Bank for Investment and Development of Vietnam – West Saigon Branch is obtained to finance for its working capital requirements. The facility bears interest determined specifically in each debit note. The Company used its land use rights, buildings and structures, machinery and equipment as collaterals for the loan (see Note 10 and 11).

Short-term loan with Vietnam Joint Stock Commercial Bank for Industry and Trade – West Saigon Branch is obtained to finance for its working capital. The facility bears interest determined specifically in each debit note. The Company used its land use rights, buildings and structures, machinery and equipment as collaterals for the loan (see Note 10 and 11).

Short-term loan with HSBC Bank (Vietnam) Ltd. – Ho Chi Minh Branch is obtained to finance for its working capital requirements. The facility bears interest determined specifically in each debit note. The Company used its trade receivables, inventories, buildings and structures as collaterals for the loan (see Note 5, 8 and 10).

Short-term loan with United Overseas Bank (Vietnam) – Ho Chi Minh Branch is obtained to finance for its working capital requirements. The facility is unsecured and bears interest determined specifically in each debit note.

22. LONG-TERM LOANS

	Opening balance		During the year		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off VND
Vietnam Joint Stock Commercial Bank for Industry and Trade - West Saigon Branch	7,953,981,201	7,953,981,201	-	(5,302,647,600)	2,651,333,601	2,651,333,601
	7,953,981,201	7,953,981,201	-	(5,302,647,600)	2,651,333,601	2,651,333,601

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
Within one year	2,651,333,601	5,302,647,600
From second to fifth year	-	2,651,333,601
	2,651,333,601	7,953,981,201
Less: Amount due for settlement within 12 months (Note 21)	(2,651,333,601)	(5,302,647,600)
	-	2,651,333,601

Long-term loan with Vietnam Joint Stock Commercial Bank for Industry and Trade – West Saigon Branch is obtained to finance for its purchase and installation of fixed assets. The facility bears interest determined specifically in each debit note. The Company used its machinery and equipment as collaterals for the loan (see Note 10).

23. OWNERS' EQUITY

Movement of owners' equity

	Owners' contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	383,126,720,000	128,217,023,000	97,075,895,498	99,571,299,945	707,990,938,443
Issuance of new shares	122,435,840,000	(99,935,840,000)	-	-	22,500,000,000
Profit for the year	-	-	-	280,488,086,808	280,488,086,808
Dividends declared from 2016's profit after tax	-	-	-	(57,469,008,000)	(57,469,008,000)
Dividends declared from 2017's profit after tax	-	-	-	(50,556,256,000)	(50,556,256,000)
Transferred to Investment and development fund from 2016's profit after tax	-	-	28,808,748,000	(28,808,748,000)	-
Transferred to Bonus and welfare fund from 2016's profit after tax	-	-	-	(22,393,795,119)	(22,393,795,119)
Transferred to Bonus and welfare fund from 2017's profit after tax	-	-	-	(15,933,506,819)	(15,933,506,819)
Allowance for the Boards of Directors and Supervisors	-	-	-	(8,477,200,000)	(8,477,200,000)
Current year's opening balance	505,562,560,000	28,281,183,000	125,884,643,498	196,420,872,815	856,149,259,313
Issuance of new shares	151,665,970,000	-	-	(151,665,970,000)	-
Profit for the year	-	-	-	266,825,033,506	266,825,033,506
Dividends declared from 2017's profit after tax	-	-	-	(50,556,256,000)	(50,556,256,000)
Transferred to Investment and development fund from 2017's profit after tax	-	-	32,166,970,000	(32,166,970,000)	-
Transferred to Bonus and welfare fund from 2017's profit after tax	-	-	-	(10,872,301,389)	(10,872,301,389)
Bonus for exceeding profit target from 2017's profit after tax	-	-	-	(1,529,000,000)	(1,529,000,000)
Transferred to Bonus and welfare fund from 2018's profit after tax	-	-	-	(16,413,063,338)	(16,413,063,338)
Allowance for the Boards of Directors and Supervisors	-	-	-	(6,300,000,000)	(6,300,000,000)
Current year's closing balance	657,228,530,000	28,281,183,000	158,051,613,498	193,742,345,594	1,037,303,672,092

Pursuant to the Annual General Shareholders Meeting's Resolution No. 01/2018/NQ-DHDCD dated 16 May 2018, the Board of Directors Resolution No. 11/2018/NQ-HDQT dated 8 August 2018 relating to the increase of chartered capital since 18 September 2018, the Board of Directors has approved for the share issuance to current shareholders from retained earnings with the number of 15,166,597 shares. Pursuant to Ho Chi Minh Stock Exchange's Decision No. 387/QD-SGDHCM dated 1 October 2018, number of additional shares in circulation is 15,166,597, this change becomes effective since 3 October 2018.

Pursuant to Resolution of the Company's Annual General Meeting No. 01/2018/NQ-DHDCD dated 16 May 2018, the shareholders of the Company approved the distribution of VND 268,058,082,000 from consolidated profit after tax for the year ended 31 December 2017 as following: dividends distribution of 20%/par value in cash, transferred to Investment and development fund, Bonus and welfare fund with the rate of 12% and 10% respectively, Bonus for exceeding profit target, Allowance for the Boards of Directors and Supervisors. In 2017, the Company temporarily distributed VND 72,466,962,819. The remaining amount, equivalent to VND 95,124,527,389, was distributed in 2018.

Capital transactions with shareholders and distribution of dividends

Contributed capital

	Current year VND	Prior year VND
Opening balance	505,562,560,000	383,126,720,000
Additions	151,665,970,000	122,435,840,000
Closing balance	<u>657,228,530,000</u>	<u>505,562,560,000</u>

Dividends

	Current year VND	Prior year VND
Opening balance	50,597,703,450	80,697,975
Additions	50,556,256,000	108,025,264,000
Payments	(101,107,152,100)	(57,508,258,525)
Closing balance	<u>46,807,350</u>	<u>50,597,703,450</u>

Shares

The Company's number of shares and par value are as follows:

	Closing balance	Opening balance
Authorised and issued share capital	65,722,853	50,556,256
Shares issued and fully contributed	65,722,853	50,556,256
Par value (VND)	<u>10,000</u>	<u>10,000</u>

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at shareholders' meetings. Shareholders are eligible to dividends declared by the Company. Ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Pursuant to the Resolution of General Meeting of Shareholders (approved in the form of asking shareholders' poll in writing) No. 02/2018/NQ-DHDCD dated 8 November 2018, the Board of Directors Resolution No. 01/2019/NQ-HDQT dated 26 February 2019, the Board of Directors has approved the issuance of 5,000,000 ordinary shares to NWL Cayman Holding Ltd. (see Note 35).

24. BONUS AND WELFARE FUNDS

Movements of bonus and welfare funds during the current year and prior year were as follows:

	Current year VND	Prior year VND
Opening balance	12,912,383,261	18,174,422,323
Appropriation to the funds (Note 23)	28,814,364,727	38,327,301,938
Usage	(30,084,836,000)	(43,589,341,000)
Closing balance	<u>11,641,911,988</u>	<u>12,912,383,261</u>

25. OFF BALANCE SHEET ITEMS

Cash and cash equivalents included following foreign currencies:

	Closing balance	Opening balance
United State Dollars ("USD")	921,396	662,880
Euro ("EUR")	66,584	16,925
Chinese Yuan ("CNY")	16,168	9,583
Great Britain Pound ("GBP")	830	14,830
Singapore Dollars ("SGD")	925	1,425
Thai Baht ("THB")	2,570	-
Japanese Yen ("JPY")	750	305,646
Australia Dollars ("AUD")	110	110

26. NET REVENUE

	Current year VND	Prior year VND
Gross revenue		
Revenue from selling finished goods	1,309,969,753,708	1,182,680,063,332
Revenue from selling merchandises	97,129,153,138	57,747,837,744
	1,407,098,906,846	1,240,427,901,076
Sales deductions		
Sales returns of finised goods	(14,859,623,399)	(16,668,117,048)
Sales returns of merchandises	(20,701,775)	(11,413,724)
	(14,880,325,174)	(16,679,530,772)
Net revenue		
Net revenue from selling finished goods	1,295,110,130,309	1,166,011,946,284
Net revenue from selling merchandises	97,108,451,363	57,736,424,020
	1,392,218,581,672	1,223,748,370,304

27. PRODUCTION AND OPERATION COST BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	622,054,326,434	512,692,532,690
Staff cost	285,803,389,035	277,268,254,407
Depreciation and amortisation	44,652,297,719	35,204,430,453
Out-sourced services and other expenses	184,947,853,044	139,920,705,436
	1,137,457,866,232	965,085,922,986

28. FINANCIAL INCOME

	Current year VND	Prior year VND
Bank interest	6,243,402,905	14,034,231,918
Dividends and profits received	100,180,003,000	100,165,000,000
Foreign exchange gain	4,590,072,041	2,819,300,412
	111,013,477,946	117,018,532,330

29. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expense	7,879,543,255	7,073,342,463
Provision for impairment of investment	20,660,374	141,394,716
Reversal provision for impairment of investment	(762,934,406)	-
Foreign exchange loss	3,921,562,316	1,445,636,968
	11,058,831,539	8,660,374,147

30. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Selling expenses		
Staff cost	25,719,411,339	21,010,780,446
Marketing and trade fair expenses	65,452,656,344	40,111,107,786
Others	22,512,090,011	13,597,073,985
	<u>113,684,157,694</u>	<u>74,718,962,217</u>
General and administration expenses		
Staff cost	118,545,020,940	109,193,188,678
Out-sourced services	40,051,544,397	37,769,265,220
Depreciation and amortisation	16,738,878,931	13,293,228,282
Others	986,233,906	1,485,408,128
	<u>176,321,678,174</u>	<u>161,741,090,308</u>

31. OTHER PROFIT

	Current year VND	Prior year VND
Other income		
SAP using fee	2,672,383,848	2,060,640,924
Compensation for damaged materials	556,171,437	1,665,799,866
Gains from disposal of fixed assets	718,208,082	884,545,455
Rental income	193,500,000	444,000,000
Others	3,467,176,438	2,659,426,232
	<u>7,607,439,805</u>	<u>7,714,412,477</u>
Other expenses		
Others	112,260,408	302,251,749
	<u>112,260,408</u>	<u>302,251,749</u>
Other profit	<u>7,495,179,397</u>	<u>7,412,160,728</u>

32. CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Corporate income tax based on taxable income in the current year	43,521,383,737	46,086,875,727
Adjustments for corporate income tax expenses in previous years to the current year	161,232,377	493,077,996
Current corporation income tax expense	<u>43,682,616,114</u>	<u>46,579,953,723</u>

The current corporate income tax expense for the year was computed as follows:

	Current year VND	Prior year VND
Profit before tax	309,324,476,997	327,914,507,373
Adjustments for taxable income		
Non-deductible expenses	3,460,056,684	6,245,118,459
Difference in provision for severance allowance and according to Corporate income tax	1,042,990,914	1,887,994,590
Change in provision for long-term investment	(762,934,406)	95,954,406
Dividend received	(100,180,003,000)	(100,165,000,000)
Change in provision for obsolete inventories	3,340,932,990	(3,354,685,976)
Allocated panel expense	-	(1,972,659,333)
Change in accrued expenses	739,613,084	(197,014,577)
Unrealised foreign exchange difference of cash and receivables	641,785,423	(19,836,307)
Taxable income	217,606,918,686	230,434,378,635
Tax rate	20%	20%
Current corporate income tax expense	43,521,383,737	46,086,875,727

The Company is obliged to pay corporate income tax at the rate of 20% (2017: 20%) of taxable income.

Tax amounts reported in the separate financial statements has not been finalised yet. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts being reported in the separate financial statements is subject to changes upon tax finalisation.

33. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related parties</u>	<u>Relationship</u>
Thien Long An Think Investment Corporation	Main shareholder
Thien Long Long Thanh Manufacturing and Trading Company Limited	Subsidiary
Thien Long Global Trading and Service One Member Company Limited	Subsidiary
Tan Luc South Trading and Service One Member Company Limited	Subsidiary
Tan Luc North Trading and Service One Member Company Limited	Subsidiary
Tan Luc Middle Trading and Service One Member Company Limited	Subsidiary

During the year, the Company entered into the following significant transactions with related parties:

	Current year VND	Prior year VND
Sales		
Thien Long Long Thanh Manufacturing and Trading Company Limited	33,841,184,364	28,957,846,323
Thien Long Global Trading and Service One Member Company Limited	992,398,685,157	902,701,951,551
Tan Luc South Trading and Service One Member Company Limited	35,944,628,503	29,963,055,713
Tan Luc North Trading and Service One Member Company Limited	20,651,871,840	17,677,701,736
Tan Luc Middle Trading and Service One Member Company Limited	7,180,294,294	4,844,819,352
	1,090,016,664,158	984,145,374,675



THIEN LONG GROUP CORPORATION
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

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	Current year VND	Prior year VND
Purchases		
Thien Long Long Thanh Manufacturing and Trading Company Limited	70,684,348,130	51,041,001,337
Thien Long Global Trading and Service One Member Company Limited	1,678,862,198	1,118,362,094
Tan Luc South Trading and Service One Member Company Limited	12,144,187,836	42,269,574,381
Tan Luc North Trading and Service One Member Company Limited	13,745,455	19,828,500
Tan Luc Middle Trading and Service One Member Company Limited	-	16,209,708
	<u>84,521,143,619</u>	<u>94,464,976,020</u>
SAP using fee		
Thien Long Long Thanh Manufacturing and Trading Company Limited	1,161,814,560	972,635,280
Thien Long Global Trading and Service One Member Company Limited	810,568,296	659,564,148
Tan Luc South Trading and Service One Member Company Limited	429,546,060	262,908,030
Tan Luc North Trading and Service One Member Company Limited	270,454,932	165,533,466
	<u>2,672,383,848</u>	<u>2,060,640,924</u>
Rental income		
Thien Long Global Trading and Service One Member Company Limited	60,000,000	310,000,000
Tan Luc South Trading and Service One Member Company Limited	48,000,000	48,000,000
Tan Luc North Trading and Service One Member Company Limited	48,000,000	62,000,000
Tan Luc Middle Trading and Service One Member Company Limited	24,000,000	24,000,000
	<u>180,000,000</u>	<u>444,000,000</u>
Rental expense		
Thien Long Global Trading and Service One Member Company Limited	82,500,000	-
Tan Luc South Trading and Service One Member Company Limited	40,986,000	120,225,600
	<u>123,486,000</u>	<u>120,225,600</u>
Dividend received		
Thien Long Long Thanh Manufacturing and Trading Company Limited	70,000,000,000	100,000,000,000
Thien Long Global Trading and Service One Member Company Limited	30,000,000,000	-
	<u>100,000,000,000</u>	<u>100,000,000,000</u>
Contributed capital		
Tan Luc South Trading and Service One Member Company Limited	15,000,000,000	-
Tan Luc North Trading and Service One Member Company Limited	27,000,000,000	-
Tan Luc Middle Trading and Service One Member Company Limited	-	5,000,000,000
	<u>42,000,000,000</u>	<u>5,000,000,000</u>
Dividend declared		
Thien Long An Think Investment Corporation	26,119,548,000	56,257,488,000

Significant related party balances at the balance sheet date were as follows:

	Closing balance VND	Opening balance VND
Trade receivables		
Thien Long Long Thanh Manufacturing and Trading Company Limited	16,953,367,003	10,898,953,759
Thien Long Global Trading and Service One Member Company Limited	173,053,545,512	65,729,497,784
Tan Luc South Trading and Service One Member Company Limited	18,629,744,661	7,592,485,286
Tan Luc North Trading and Service One Member Company Limited	8,927,643,399	1,875,503,876
Tan Luc Middle Trading and Service One Member Company Limited	1,302,555,012	535,380,098
	<u>218,866,855,587</u>	<u>86,631,820,803</u>
Trade payables		
Thien Long Long Thanh Manufacturing and Trading Company Limited	4,828,887,914	16,892,131,015
Thien Long Global Trading and Service One Member Company Limited	598,366,640	349,981,761
Tan Luc South Trading and Service One Member Company Limited	191,814,572	5,293,795,719
Tan Luc Middle Trading and Service One Member Company Limited	-	5,557,715
	<u>5,619,069,126</u>	<u>22,541,466,210</u>
Other short-term payables		
Thien Long An Think Investment Corporation	-	26,119,548,000

Salary and bonus paid to the Company's Board of Management and other Management Personnel, allowance paid to the Company's Boards of Directors and Supervisors during the current year was VND 36,887,874,500 (2017: VND 31,589,326,211).

34. SUPPLEMENTAL DISCLOSURES OF SEPARATE CASH FLOW STATEMENT

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND 259,168,902 (2017: VND 11,206,916,821) representing an addition in fixed assets and construction in progress during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

Dividend paid during the year excluded an amount of VND 46,807,350 (2017: VND 50,597,703,450) representing the amount of dividend declared but not yet paid. Consequently, changes in accounts payable have been adjusted by the same amount.

35. SUBSEQUENT EVENT

Pursuant to the Resolution of General Meeting of Shareholders (approved in the form of asking shareholders' poll in writing) No. 02/2018/NQ-DHDCD dated 8 November 2018, the Board of Directors Resolution No. 01/2019/NQ-HDQT dated 26 February 2019, the Board of Directors has approved the issuance of 5,000,000 ordinary shares to NWL Cayman Holding Ltd. As at 5 March 2019, the Company has successfully issued 5,000,000 shares at par value of VND 10,000 with the selling price of VND 85,000 per share. Accordingly, the items "Owners contributed capital" with code "411" and "Share premium" with code "412" on the separate balance sheet as at 5 March 2019 are VND 707,228,530,000 and VND 392,944,802,300, respectively.


Hoang Tan Tai
 Preparer


Nguyen Ngoc Nhon
 Chief Accountant


Nguyen Dinh Tam
 Chief Executive Officer
 29 March 2019

