



THIÊN LONG GROUP CORPORATION

(Incorporated in the Socialist Republic of Vietnam)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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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") and its subsidiaries (collectively referred to as the "Group") presents this report together with the Group's consolidated financial statements for the year ended 31 December 2019.

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 Group 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
Mr. Tayfun Uner	Member (appointed on 30 May 2019)

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

The legal representative during the year and to the date of these consolidated financial statements is Mr. Co Gia Tho. Mr. Nguyen Dinh Tam is authorised to sign the consolidated financial statements for the year ended 31 December 2019.

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 is responsible for preparing the consolidated financial statements which give a true and fair view of the financial position of the Group as at 31 December 2019 and of its results and 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 consolidated 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 consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated 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 financial position of the Group and that the consolidated 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 Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Management,



Nguyen Dinh Tam
Chief Executive Officer
30 March 2020

No.: 0692 /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 consolidated financial statements of Thien Long Group Corporation (the "Company") and its subsidiaries (the Company and its subsidiaries are referred to as the "Group"), prepared on 30 March 2020 as set out from page 4 to page 30, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and consolidated 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 Consolidated Financial Statements

The Board of Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated 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**
30 March 2020
Ho Chi Minh City, Vietnam

Vong My Thanh
Auditor
Audit Practising Registration Certificate
No. 3460-2020-001-1

CONSOLIDATED BALANCE SHEET
 As at 31 December 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		1,830,894,396,372	1,176,632,415,566
I. Cash and cash equivalents	110	4	190,855,576,577	145,861,230,396
1. Cash	111		99,855,576,577	104,861,230,396
2. Cash equivalents	112		91,000,000,000	41,000,000,000
II. Short-term financial investments	120	5	466,000,000,000	-
1. Held-to-maturity investments	123		466,000,000,000	-
III. Short-term receivables	130		581,476,470,866	337,890,452,158
1. Short-term trade receivables	131	6	540,254,253,737	316,196,499,020
2. Short-term advances to suppliers	132	7	18,195,133,300	18,288,552,319
3. Other short-term receivables	136	8	23,941,767,031	4,271,091,002
4. Provision for short-term doubtful debts	137		(914,683,202)	(865,690,183)
IV. Inventories	140	9	582,361,530,894	684,484,261,574
1. Inventories	141		611,220,729,006	703,440,229,651
2. Provision for devaluation of inventories	149		(28,859,198,112)	(18,955,968,077)
V. Other short-term assets	150		10,200,818,035	8,396,471,438
1. Short-term prepayments	151	10	7,897,754,885	6,909,637,976
2. Value added tax deductibles	152		2,288,007,696	1,368,651,636
3. Taxes and other receivables from the State budget	153	18	15,055,454	118,181,826
B. NON-CURRENT ASSETS	200		586,009,531,603	618,027,228,802
I. Long-term receivables	210		3,084,864,613	2,679,733,353
1. Other long-term receivables	216	8	3,084,864,613	2,679,733,353
II. Fixed assets	220		464,236,995,775	417,122,326,343
1. Tangible fixed assets	221	11	434,775,531,550	386,671,680,681
- Cost	222		916,525,121,861	814,013,281,236
- Accumulated depreciation	223		(481,749,590,311)	(427,341,600,555)
2. Intangible assets	227	12	29,461,464,225	30,450,645,662
- Cost	228		67,432,574,911	65,414,225,817
- Accumulated amortisation	229		(37,971,110,686)	(34,963,580,155)
III. Investment property	230	13	-	59,888,350,067
- Cost	231		-	59,888,350,067
IV. Long-term assets in progress	240		26,712,919,979	64,703,776,055
1. Construction in progress	242	14	26,712,919,979	64,703,776,055
V. Long-term financial investments	250	5	21,092,112,000	20,436,762,423
1. Equity investments in other entities	253		30,685,000,000	30,685,000,000
2. Provision for impairment of long-term financial investments	254		(9,592,888,000)	(10,248,237,577)
VI. Other long-term assets	260		70,882,639,236	53,196,280,561
1. Long-term prepayments	261	10	39,582,025,338	28,143,995,826
2. Deferred tax assets	262	15	31,300,613,898	25,052,284,735
TOTAL ASSETS (270=100+200)	270		2,416,903,927,975	1,794,659,644,368

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



CONSOLIDATED BALANCE SHEET (Continued)
 As at 31 December 2019

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		609,917,056,329	525,991,247,698
I. Current liabilities	310		554,653,680,656	495,903,207,694
1. Short-term trade payables	311	16	181,300,286,706	137,335,288,838
2. Short-term advances from customers	312	17	2,570,299,065	3,860,818,654
3. Taxes and amounts payable to the State budget	313	18	31,734,854,675	14,259,738,175
4. Payables to employees	314		25,924,624,973	23,729,016,904
5. Short-term accrued expenses	315	19	96,724,794,495	76,135,843,561
6. Other current payables	319	20	9,028,740,183	6,752,874,128
7. Short-term loans	320	21	195,113,477,671	222,159,942,446
8. Bonus and welfare funds	322	25	12,256,602,888	11,669,684,988
II. Long-term liabilities	330		55,263,375,673	30,088,040,004
1. Long-term loans	338	22	25,846,153,842	-
2. Long-term provisions	342	23	29,417,221,831	30,088,040,004
D. EQUITY	400		1,806,986,871,646	1,268,668,396,670
I. Owners' equity	410	24	1,806,986,871,646	1,268,668,396,670
1. Owners' contributed capital	411		777,944,530,000	657,228,530,000
- Ordinary shares carrying voting rights	411a		777,944,530,000	657,228,530,000
2. Share premium	412		392,944,802,300	28,281,183,000
3. Investment and development fund	418		158,019,722,556	158,051,613,498
4. Retained earnings	421		478,077,816,790	425,107,070,172
- Retained earnings accumulated to the prior year end	421a		233,121,320,737	153,435,891,362
- Retained earnings of the current year	421b		244,956,496,053	271,671,178,810
TOTAL RESOURCES (440=300+400)	440		2,416,903,927,975	1,794,659,644,368



Dao Xuan Nam
Preparer



Nguyen Ngoc Nhon
Chief Accountant




Nguyen Dinh Tam
Chief Executive Officer
30 March 2020

CONSOLIDATED INCOME STATEMENT
 For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold	01		3,298,710,950,005	2,881,394,732,494
2. Deductions	02		46,229,433,953	25,618,382,280
3. Net revenue from goods sold (10=01-02)	10	28	3,252,481,516,052	2,855,776,350,214
4. Cost of sales	11		2,054,990,358,755	1,789,107,482,383
5. Gross profit from goods sold (20=10-11)	20		1,197,491,157,297	1,066,668,867,831
6. Financial income	21	30	29,972,019,720	13,513,154,919
7. Financial expenses	22	31	14,334,036,161	16,908,537,876
- In which: Interest expense	23		11,434,553,822	11,068,142,459
8. Selling expenses	25	32	500,044,195,759	432,623,981,454
9. General and administration expenses	26	32	285,140,218,494	272,748,858,876
10. Operating profit (30=20+(21-22)-(25+26))	30		427,944,726,603	357,900,644,544
11. Other income	31		9,723,383,622	11,305,534,329
12. Other expenses	32		817,351,647	935,307,493
13. Profit from other activities (40=31-32)	40	33	8,906,031,975	10,370,226,836
14. Accounting profit before tax (50=30+40)	50		436,850,758,578	368,270,871,380
15. Current corporate income tax expense	51	34	94,012,038,665	73,015,976,515
16. Deferred corporate tax (income)/expense	52	15	(6,248,329,163)	870,652,717
17. Net profit after corporate income tax (60=50-51-52)	60		349,087,049,076	294,384,242,148
Attributable to:				
The Parent Company's shareholders			349,087,049,076	294,384,242,148
18. Basic earnings per share	70	35	4,084	3,444



Dao Xuan Nam
Preparer



Nguyen Ngoc Nhon
Chief Accountant



Nguyen Dinh Tam
Chief Executive Officer
30 March 2020

CONSOLIDATED CASH FLOW STATEMENT (Continued)
 For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current year	Prior year
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from share issue and owners' contributed capital	31	414,663,619,300	-
2. Proceeds from borrowings	33	631,294,976,475	828,374,937,236
3. Repayment of borrowings	34	(632,495,287,408)	(772,248,672,797)
4. Dividends and profits paid	36	(183,880,080,350)	(101,107,152,100)
Net cash generated by/(used in) financing activities	40	229,583,228,017	(44,980,887,661)
Net increase/(decrease) in cash (50=20+30+40)	50	44,952,041,450	(207,860,164,564)
Cash and cash equivalents at the beginning of the year	60	145,861,230,396	353,869,383,127
Effects of changes in foreign exchange rates	61	42,304,731	(147,988,167)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	190,855,576,577	145,861,230,396



Dao Xuan Nam
Preparer



Nguyen Ngoc Nhon
Chief Accountant



Nguyen Dinh Tam
Chief Executive Officer
30 March 2020



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Structure of ownership

Thien Long Group Corporation (the "Company") was incorporated in Vietnam as a joint stock company under the Business Registration Certificate No. 0301464830 dated 14 March 2005 issued by the Department of Planning and Investment of Ho Chi Minh City, as amended. According to the 17th amended Business Registration Certificate dated 11 October 2019, the Company's charter capital is VND 777,944,530,000.

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 Think Investment Corporation owning 48.01%; NWL Cayman Holdings Ltd. owning 7.07% and Mr. Co Gia Tho owning 5.91% 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 Group as at 31 December 2019 was 3,485 (as at 31 December 2018: 3,502).

Operating industry and principal activities

The Group's operating industry are to manufacture and sell stationaries products, classroom equipment.

The principal activities are to manufacture and trade stationaries products, classroom 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 Group's normal production and business cycle is carried out for a time period of 12 months or less.

The Group's structure

As at 31 December 2019, 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
FlexOffice Pte. Ltd. (*)	Singapore	100%	100%	Trading stationery

(*) This subsidiary was newly set up in 2019 and is still on pre-operating period. No revenue incurred in this year.

Disclosure of comparative information in the consolidated financial statements

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2018.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The consolidated 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 consolidated 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 Group'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 Group in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of consolidated 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to balance sheet date each year. 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to consolidated income statement in the year of acquisition.

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.



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Financial investments

Held-to-maturity investments

Held-to-maturity investments comprise investments that the Group has the positive intent or ability to hold to maturity, including term deposits to earn periodic interest. Interest income from term deposits is recognized in the consolidated income statement on an accrual basis.

Held-to-maturity investments are measured at cost less provision for doubtful debts.

Equity investments in other entities

Equity investments in other entities represent the Group's investments in ordinary shares of the entities over which the Group 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. 200/2014/TT-BTC dated 22 December 2014 issued by the Ministry of Finance on "Guidelines for accounting policies for enterprises".

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
Other assets	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 consolidated 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 under prevailing regulations

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 Group 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 Group 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 Group 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 consolidated 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 Group'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 prepaid land rental, costs of small tools, supplies and spare parts issued for consumption, advertising and marketing expenditures and insurance cost. These expenditures have been capitalised and are allocated to the consolidated income statement using the straight-line method in accordance with the current prevailing accounting regulations.

The prepaid land rental represents the unamortised balance of advance payment made in accordance with lease contract signed with Sonadezi Long Thanh Joint Stock Company on 6 February 2007 for a period of 46 years. Such prepaid rental is recognised as long-term prepayments for allocation to the consolidated income statement over the remaining lease period according to Circular 45/2013/TT-BTC.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 consolidated 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group 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 Group; 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.

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 Group's right to receive payment has been established.

Sales deductions

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same year of sales of products, goods and services are recorded as deductions of sales of the year.

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

Borrowing costs

Borrowing costs are recognised in the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Group 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 Group 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 Group'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 consolidated balance sheet.

4. CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	3,445,901,892	2,938,707,366
Cash in bank	96,409,674,685	101,922,523,030
Cash equivalents (*)	91,000,000,000	41,000,000,000
	<u>190,855,576,577</u>	<u>145,861,230,396</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. FINANCIAL INVESTMENTS

a. Held-to-maturity investments

Held-to-maturity investments represent the time deposits at commercial banks with maturity ranging from 6 months to 12 months and earn interest at the applicable rate.

b. Long-term financial investments

	Closing balance VND	Opening balance VND
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>

	Closing balance VND	Opening balance VND
Provision for long-term investments		
Kinh Do Land Corporation	(5,489,200,000)	(6,092,220,000)
Saigon Securities Investment Fund A2	(3,565,000,000)	(3,565,000,000)
Brilliant Chip Joint Stock Company	(538,688,000)	(591,017,577)
	<u>(9,592,888,000)</u>	<u>(10,248,237,577)</u>
Net long-term investments	<u>21,092,112,000</u>	<u>20,436,762,423</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	(10,248,237,577)	(10,990,511,609)
Additional provision	-	(20,660,374)
Reversal of provision	655,349,577	762,934,406
Closing balance	<u>(9,592,888,000)</u>	<u>(10,248,237,577)</u>

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
SQI Group Int'l. Corp.	31,529,460,459	24,647,055,595
Like Link Co., Ltd.	28,415,466,565	12,000,015,553
Other customers	480,309,326,713	279,549,427,872
	<u>540,254,253,737</u>	<u>316,196,499,020</u>

As noted further in Note 21, as at 31 December 2019, trade receivables of VND 50,000,000,000 were provided as collateral for loans obtained from banks (as at 31 December 2018: USD 2,000,000).

7. SHORT-TERM ADVANCES TO SUPPLIERS

	Closing balance VND	Opening balance VND
Jeoly Electronics Co., Ltd.	3,398,364,022	2,133,510,555
DKSH Vietnam Co., Ltd.	1,831,494,796	809,906,179
Diana Unicharm Joint Stock Company	947,707,679	281,165,404
Other suppliers	12,017,566,803	15,063,970,181
	<u>18,195,133,300</u>	<u>18,288,552,319</u>

8. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
a. Short-term		
- Advances to employees	1,380,851,873	1,430,437,816
- Accrued interest	15,155,193,148	485,572,603
- Deposits	242,401,735	533,489,104
- Others	7,163,320,275	1,821,591,479
	<u>23,941,767,031</u>	<u>4,271,091,002</u>
b. Long-term		
- Deposits	3,084,864,613	2,679,733,353
	<u>3,084,864,613</u>	<u>2,679,733,353</u>



9. INVENTORIES

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	38,227,456,818	-	30,618,793,824	-
Raw materials	187,544,385,666	(15,324,073,308)	281,184,898,857	(11,784,691,636)
Tools and supplies	4,474,478,320	-	4,181,825,417	-
Work in progress	40,735,267,802	(1,420,162,354)	38,892,236,583	(204,222,152)
Finished goods	199,908,650,958	(9,945,763,492)	225,805,145,876	(5,220,600,986)
Merchandise	140,330,489,442	(2,169,198,958)	122,757,329,094	(1,746,453,303)
	611,220,729,006	(28,859,198,112)	703,440,229,651	(18,955,968,077)

As noted further in Note 21, as at 31 December 2019, inventories of VND 80,000,000,000 and USD 5,000,000 were provided as collateral for loans obtained from banks (as at 31 December 2018: USD 3,500,000).

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

	Current year VND	Prior year VND
Opening balance	(18,955,968,077)	(16,832,357,044)
Additional provision	(12,994,717,565)	(15,774,820,388)
Reversal of provision	3,091,487,530	13,651,209,355
Closing balance	(28,859,198,112)	(18,955,968,077)

10. PREPAYMENTS

	Closing balance VND	Opening balance VND
a. Short-term		
- Advertisement and marketing expenses	1,483,238,457	1,070,305,431
- Tools and supplies	433,618,285	1,161,797,242
- Health and asset insurance	1,653,749,180	1,318,958,283
- Others	4,327,148,963	3,358,577,020
	7,897,754,885	6,909,637,976
b. Long-term		
- Land rental fee (*)	10,897,923,931	11,227,332,211
- Tools and supplies	22,240,685,533	10,794,932,527
- Others	6,443,415,874	6,121,731,088
	39,582,025,338	28,143,995,826

(*) Prepaid land rental fee represents the unamortised balance of the land rental payments as stated in Note 3.

As noted further in Note 21, the Group has pledged land use right of land rental to secure banking facilities granted to the Group.

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

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11. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Moulds and others	Total
	VND	VND	VND	VND	VND	VND
COST						
Opening balance	227,186,559,717	377,049,108,986	43,651,326,722	15,987,852,428	150,138,433,383	814,013,281,236
Additions	-	80,981,856,397	1,787,109,090	1,831,977,000	12,036,177,664	96,637,120,151
Transfer from construction in progress	-	11,415,513,908	-	-	17,327,899,408	28,743,413,316
Disposals	-	(7,192,699,590)	(1,709,337,868)	(34,893,914)	(13,931,761,470)	(22,868,692,842)
Closing balance	227,186,559,717	462,253,779,701	43,729,097,944	17,784,935,514	165,570,748,985	916,525,121,861
ACCUMULATED DEPRECIATION						
Opening balance	62,411,280,830	203,525,642,545	23,282,666,917	14,972,489,808	123,149,520,455	427,341,600,555
Charge for the year	10,435,758,975	44,223,557,929	5,672,586,300	1,394,656,334	13,731,159,258	75,457,718,796
Disposals	-	(7,145,347,409)	(1,631,837,868)	(34,893,914)	(12,025,642,872)	(20,837,722,063)
Others	-	(212,006,977)	-	-	-	(212,006,977)
Closing balance	72,847,039,805	240,391,846,088	27,323,415,349	16,332,252,228	124,855,036,841	481,749,590,311
NET BOOK VALUE						
Opening balance	164,775,278,887	173,523,466,441	20,368,659,805	1,015,362,620	26,988,912,928	386,671,680,681
Closing balance	154,339,519,912	221,861,933,613	16,405,682,595	1,452,683,286	40,715,712,144	434,775,531,550
<i>In which</i>						
<i>Pledged as loan security</i>	39,446,201,217	51,480,866,999	-	-	1,324,322,306	92,251,390,522
<i>(Note 21 and 22)</i>						

As at 31 December 2019, the cost of tangible fixed assets included VND 240,498,806,224 (as at 31 December 2018: VND 214,086,699,319) of assets which have been fully depreciated but are still in use.

THIEN LONG GROUP CORPORATION
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12. INTANGIBLE ASSETS

	Land use rights VND	Computer software VND	Copyrights, patents VND	Others VND	Total VND
COST					
Opening balance	16,047,625,000	48,883,622,417	367,000,000	115,978,400	65,414,225,817
Additions	-	3,789,721,814	-	-	3,789,721,814
Disposals	-	(1,655,394,320)	-	(115,978,400)	(1,771,372,720)
Closing balance	16,047,625,000	51,017,949,911	367,000,000	-	67,432,574,911
ACCUMULATED DEPRECIATION					
Opening balance	1,175,864,496	33,304,737,259	367,000,000	115,978,400	34,963,580,155
Charge for the year	-	4,778,903,251	-	-	4,778,903,251
Disposals	-	(1,655,394,320)	-	(115,978,400)	(1,771,372,720)
Closing balance	1,175,864,496	36,428,246,190	367,000,000	-	37,971,110,686
NET BOOK VALUE					
Opening balance	14,871,760,504	15,578,885,158	-	-	30,450,645,662
Closing balance	14,871,760,504	14,589,703,721	-	-	29,461,464,225
<i>In which</i>					
<i>Pledged as loan security (Note 21)</i>	8,671,760,504	-	-	-	8,671,760,504

As at 31 December 2019, the cost of intangible assets included VND 11,494,917,913 (as at 31 December 2018: VND 11,291,850,633) of assets which have been fully amortised but are still in use.



13. INVESTMENT PROPERTY

	Current year VND	Prior year VND
Opening balance	59,888,350,067	59,888,350,067
Addition	5,123,038,671	-
Disposal	(65,011,388,738)	-
Closing balance	-	59,888,350,067

As at 31 December 2018, the investment property of the Group includes land use right at Lot 209, Thac Gian Ward, Thanh Khe District, Da Nang City. This investment property is held for sales pursuant to the Board of Directors' Resolution No. 16/2018/NQ-HDQT dated 27 November 2018. In 2019, the Group has completed the transfer of investment property to customer.

14. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Moulds under installation	9,571,080,676	15,552,737,327
Equipment under installation	16,883,996,803	46,717,784,452
Others	257,842,500	2,433,254,276
	26,712,919,979	64,703,776,055

15. DEFERRED TAX ASSETS

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

	Unrealised profit VND	Accrued expense VND	Provisions VND	Allocated expense VND	Foreign exchange difference VND	Total VND
Prior year's opening balance	14,279,651,376	1,847,749,424	9,474,536,086	353,663,243	(32,662,677)	25,922,937,452
Credit/(charge) to profit for the year	(2,037,050,527)	662,933,087	705,410,130	(353,663,243)	151,717,836	(870,652,717)
Current year's opening balance	12,242,600,849	2,510,682,511	10,179,946,216	-	119,055,159	25,052,284,735
Credit/(charge) to profit for the year	2,329,481,266	2,125,612,634	1,907,644,580	-	(114,409,317)	6,248,329,163
Current year's closing balance	14,572,082,115	4,636,295,145	12,087,590,796	-	4,645,842	31,300,613,898

16. SHORT-TERM TRADE PAYABLES

	Closing balance VND	Opening balance VND
Aubex Corporation	9,796,866,000	955,648,800
Toyo Machinery & Metal Co., Ltd	9,108,495,900	-
Other suppliers	162,394,924,806	136,379,640,038
	181,300,286,706	137,335,288,838

17. SHORT-TERM ADVANCES FROM CUSTOMERS

	Closing balance VND	Opening balance VND
Crayola LLC.	1,546,424,220	-
Jhops Co., Ltd	357,329,896	-
Other customers	666,544,949	3,860,818,654
	2,570,299,065	3,860,818,654

18. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	Opening balance VND	Movements during the year		Closing balance VND
		Increase VND	Decrease VND	
a. Receivables				
Corporate income tax	118,181,826	-	(103,126,372)	15,055,454
	118,181,826	-	(103,126,372)	15,055,454
b. Payables				
Value added tax	3,890,746,075	141,374,311,563	(131,184,935,167)	14,080,122,471
Import tax	-	15,534,187,691	(15,353,117,894)	181,069,797
Corporate income tax	9,033,189,216	93,908,912,293	(87,578,360,119)	15,363,741,390
Personal income tax	1,335,802,884	28,842,955,791	(28,068,837,658)	2,109,921,017
	14,259,738,175	279,660,367,338	(262,185,250,838)	31,734,854,675

19. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
13th & 14th month salary and incentive	70,098,473,027	61,379,434,501
Advertisement and marketing expenses	2,749,627,684	1,841,443,151
Interest expense	517,238,311	508,526,936
Others	23,359,455,473	12,406,438,973
	96,724,794,495	76,135,843,561

20. OTHER CURRENT PAYABLES

	Closing balance VND	Opening balance VND
Dividends	45,459,500	46,807,350
Trade union fee	2,504,830,496	2,678,492,633
Others	6,478,450,187	4,027,574,145
	9,028,740,183	6,752,874,128

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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	65,309,721,906	65,309,721,906	176,062,770,922	(173,270,980,648)	68,101,512,180	68,101,512,180
Vietnam Joint Stock Commercial Bank for Industry and Trade - West Saigon Branch	14,182,307,862	14,182,307,862	136,451,459,924	(130,320,071,528)	20,313,696,258	20,313,696,258
HSBC Bank (Vietnam) Ltd.	73,382,133,714	73,382,133,714	206,113,513,620	(197,405,950,294)	82,089,697,040	82,089,697,040
United Overseas Bank (Vietnam) Limited	34,244,281,429	34,244,281,429	35,307,518,138	(65,525,363,372)	4,026,436,195	4,026,436,195
JSC Bank for Foreign Trade of Vietnam - Bien Hoa Branch	29,982,265,398	29,982,265,398	43,759,713,871	(60,913,689,429)	12,828,289,840	12,828,289,840
	217,100,710,309	217,100,710,309	597,694,976,475	(627,436,055,271)	187,359,631,513	187,359,631,513
b. Current portion of long-term loans (Note 22)						
	5,059,232,137	5,059,232,137	7,753,846,158	(5,059,232,137)	7,753,846,158	7,753,846,158
	222,159,942,446	222,159,942,446	605,448,822,633	(632,495,287,408)	195,113,477,671	195,113,477,671

Short-term loan with Joint Stock Commercial Bank for Investment and Development of Vietnam - West Saigon Branch is obtained to finance its working capital requirements. The facility bears interest determined specifically in each debit note. The Group used its buildings and structures, machinery and equipment and land use rights as collaterals for the loan (see Note 11 and 12).

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

Short-term loan with HSBC Bank (Vietnam) Ltd. is obtained to finance its working capital requirements. The facility bears interest determined specifically in each debit note. The Group used its trade receivables, inventories, buildings and structures as collaterals for the loan (see Note 6, 9 and 11).

Short-term loan with United Overseas Bank (Vietnam) Limited is obtained to finance its working capital requirements. The facility bears interest determined specifically in each debit note. The Group used its inventories as collaterals for the loan (see Note 9).

Short-term loan with JSC Bank for Foreign Trade of Vietnam - Bien Hoa Branch is obtained to finance its working capital requirements. The facility bears interest determined specifically in each debit note. This facility has no collateral.

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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	2,651,333,601	2,651,333,601	-	(2,651,333,601)	-	-
JSC Bank for Foreign Trade of Vietnam - Bien Hoa Branch	2,407,898,536	2,407,898,536	-	(2,407,898,536)	-	-
HSBC Bank (Vietnam) Ltd.	-	-	33,600,000,000	-	33,600,000,000	33,600,000,000
	5,059,232,137	5,059,232,137	33,600,000,000	(5,059,232,137)	33,600,000,000	33,600,000,000

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
Within one year	7,753,846,158	5,059,232,137
From second to fifth year	25,846,153,842	-
	33,600,000,000	5,059,232,137
Less: Amount due for settlement within 12 months (Note 21)	(7,753,846,158)	(5,059,232,137)
	25,846,153,842	-

Long-term loan with HSBC Bank (Vietnam) Ltd. is obtained to finance for its purchase and installation of fixed assets. The facility bears interest determined specifically in each debit note. The Group used its machinery and equipment as collaterals for the loan (see Note 11).

23. LONG-TERM PROVISIONS

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

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24. 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	505,562,560,000	28,281,183,000	125,884,643,498	400,226,388,751	1,059,954,775,249
Share issuance during year	151,665,970,000	-	-	(151,665,970,000)	-
Profit for the year	-	-	-	294,384,242,148	294,384,242,148
Dividends declared from 2017's profit after tax	-	-	-	(50,556,256,000)	(50,556,256,000)
Transferred to Investment and development fund	-	-	-	(32,166,970,000)	-
Transferred to Bonus and welfare fund from 2017's profit after tax	-	-	32,166,970,000	(32,166,970,000)	-
Bonus for exceeding profit target from 2017's profit after tax	-	-	-	(10,872,301,389)	(10,872,301,389)
Transferred to Bonus and welfare fund 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 Board of Directors and Supervisors	-	-	-	(6,300,000,000)	(6,300,000,000)
Current year's opening balance	657,228,530,000	28,281,183,000	158,051,613,498	425,107,070,172	1,268,668,396,670
Share issuance during year	120,716,000,000	364,663,619,300	(35,358,000,000)	(35,358,000,000)	414,663,619,300
Profit for the year	-	-	-	349,087,049,076	349,087,049,076
Dividends declared from 2018's profit after tax	-	-	-	(106,084,279,500)	(106,084,279,500)
Dividends declared from 2019's profit after tax	-	-	-	(77,794,453,000)	(77,794,453,000)
Transferred to Investment and development fund from 2018's profit after tax	-	-	35,326,109,058	(35,326,109,058)	-
Transferred to Bonus and welfare fund from 2018's profit after tax	-	-	-	(13,025,360,877)	(13,025,360,877)
Bonus for exceeding profit target from 2018's profit after tax	-	-	-	(2,192,000,000)	(2,192,000,000)
Transferred to Bonus and welfare fund from 2019's profit after tax	-	-	-	(18,531,300,023)	(18,531,300,023)
Allowance for the Board of Directors and Supervisors	-	-	-	(7,804,800,000)	(7,804,800,000)
Current year's closing balance	777,944,530,000	392,944,802,300	158,019,722,556	478,077,816,790	1,806,986,871,646

Pursuant to the Resolution No. 01/2019/NQ-HDQT dated 26 February 2019, the Board of Directors of the Company has approved the increase of the Company's charter capital by issuing private shares with the number 5,000,000 shares at par value of VND 10,000/share.

At as 5 March 2019, the Company has successfully issued 5,000,000 shares at par value of VND 10,000/share for NWL Cayman Holdings Ltd. with the selling price of 85,000 VND/share. The Company has reported the results of private placement of shares to the State Securities Commission and Ho Chi Minh City Stock Exchange with the Official Letter No. 19.19/CV-TLG dated 5 March 2019. Accordingly, the total received amount from share issuance was VND 425,000,000,000, after deducting the cost of issuing shares with amount of VND 10,336,380,700. The Company recognised the increase of "Owners' contributed capital" and "Share premium" with the amount of VND 50,000,000,000 and VND 364,663,619,300, respectively. Pursuant to Ho Chi Minh Stock Exchange's Decision No. 93/QD-SGDHCHM dated 2 April 2019, the number of additional shares in circulation is 5,000,000. This change becomes effective since 4 April 2019.

Pursuant to the Resolution of the Company's Annual General Meeting No. 01/2019/NQ-DHDCD dated 31 May 2019 and Resolution of Board of Directors No. 11/2019/NQ-HDQT dated 19 August 2019, the Board of Directors of the Company has approved the issuing shares to pay 2nd dividends for 2018 with 3,536,142 shares and issuing shares to increase capital from owner's equity with 3,536,142 shares with par value of VND 10,000/share.

As at 26 September 2019, the Company has successfully issued 7,071,600 shares at par value of VND 10,000/share to existing shareholders, in which 3,535,800 shares as 2nd dividends distribution of 2018 and 3,535,800 shares to increase Company's charter capital. The Company has reported the results of share issuance for dividends distribution and for charter capital increase to the State Securities Commission and Ho Chi Minh City Stock Exchange with the Official Letter No. 66.19/CV-TLG dated 26 September 2019. Pursuant to Ho Chi Minh Stock Exchange's Decision No. 428/QD-SGDHCM dated 18 October 2019, the number of additional shares in circulation is 7,071,600. This change becomes effective since 22 October 2019.

Pursuant to the Resolution of the Company's Annual General Meeting No. 01/2019/NQ-DHDCD dated 31 May 2019, the shareholders of the Company approved the distribution plan of VND 294,384,242,148 from consolidated profit after tax for the year ended 31 December 2018 as following: dividends distribution of 20%/par value (in which 15% in cash and 5% in shares), appropriation to Investment and development fund, Bonus and welfare fund at the rate of 12% and 10% from consolidated profit after tax, respectively, approved for the bonus for exceeding profit target and the allowance for the Boards of Directors and Supervisors. In 2018, the Company temporarily distributed an amount of VND 22,713,063,338. The remaining amount has been distributed in 2019.

Also according to this Resolution, the Company temporarily distributed an amount of VND 104,130,553,023 from consolidated profit after tax for the year ended 31 December 2019 as dividends and appropriation to Bonus and welfare fund and the allowance for the Boards of Directors and Supervisors.

According to the capital utilization plan and the capital usage purpose approved in the Resolution of the Company's Annual General Meeting No. 02/2018/NQ-DHDCD dated 8 November 2018 and the revision plan according to the Resolution of Board of Directors No. 09/2019/NQ-HDQT dated 12 August 2019, the proceeds from the share issuance after deducting fees of VND 414,663,619,300 were used to supplement working capital and invest in machinery and equipment.

According to the actual usage, the proceeds from the share issuance from 5 March 2019 were used until 31 December 2019 as follows:

	Total paid amount VND
Acquisition of machinery, equipment	14,364,509,216
Supplement working capital	174,663,619,300
	<u>189,028,128,516</u>

Capital transactions with shareholders and distribution of dividends

Contributed capital

	Current year VND	Prior year VND
Opening balance	657,228,530,000	505,562,560,000
Additions	120,716,000,000	151,665,970,000
Closing balance	<u>777,944,530,000</u>	<u>657,228,530,000</u>

Dividends

	Current year VND	Prior year VND
Opening balance	46,807,350	50,597,703,450
Additions	183,878,732,500	50,556,256,000
Payments	(183,880,080,350)	(101,107,152,100)
Closing balance	<u>45,459,500</u>	<u>46,807,350</u>

Shares

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

	Closing balance VND	Opening balance VND
Authorised and issued share capital	77,794,453	65,722,853
Shares issued and fully contributed	77,794,453	65,722,853
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.

25. BONUS AND WELFARE FUNDS

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

	Current year VND	Prior year VND
Opening balance	11,669,684,988	12,918,710,261
Appropriation to the funds (Note 24)	33,748,660,900	28,814,364,727
Fund usage	<u>(33,161,743,000)</u>	<u>(30,063,390,000)</u>
Closing balance	<u>12,256,602,888</u>	<u>11,669,684,988</u>

26. OFF BALANCE SHEET ITEMS

Cash and cash equivalents included following foreign currencies:

	Closing balance	Opening balance
United State Dollars ("USD")	1,874,311	1,102,288
Euro ("EUR")	45,574	67,242
Chinese Renminbi ("RMB")	7,675	19,942
Great Britain Pound ("GBP")	1,920	830
Singapore Dollars ("SGD")	139,058	925
Thai Baht ("THB")	7,680	4,840
Korean Won ("KRW")	336,000	96,000
Japanese Yen ("JPY")	2,497	28,200
Australia Dollars ("AUD")	110	110
Taiwan Dollars ("TWD")	<u>12,570</u>	<u>12,570</u>

27. SEGMENT REPORT

A department is a consolidated identifiable component of the Group that is involved in the provision of related products or services (business divisions) or the provision of products or services within the Group. A specific economic environment (geographic divisions). Each department is at risk and benefit are different from other parts.

The Group's principal activity is the production and sales of stationery. The business activities of the Group are carried out within and outside the territory of Vietnam.

	Current year VND	Prior year VND
Net revenue		
Net revenue from domestic sales	2,742,181,752,511	2,435,335,804,429
Net revenue from export sales	<u>510,299,763,541</u>	<u>420,440,545,785</u>
	<u>3,252,481,516,052</u>	<u>2,855,776,350,214</u>
Cost of goods sold		
Cost of goods sold from domestic sales	1,668,306,444,789	1,470,621,212,297
Cost of goods sold from export sales	<u>386,683,913,966</u>	<u>318,486,270,086</u>
	<u>2,054,990,358,755</u>	<u>1,789,107,482,383</u>
Gross profit		
Gross profit from domestic sales	1,073,875,307,722	964,714,592,132
Gross profit from export sales	<u>123,615,849,575</u>	<u>101,954,275,699</u>
	<u>1,197,491,157,297</u>	<u>1,066,668,867,831</u>

28. NET REVENUE

	Current year VND	Prior year VND
Gross revenue		
Revenue from selling finished goods	2,296,157,028,107	2,139,508,133,103
Revenue from selling merchandises	906,924,706,266	741,743,101,966
Revenue from services rendered	142,590,177	143,497,425
Revenue from investment property	95,486,625,455	-
	<u>3,298,710,950,005</u>	<u>2,881,394,732,494</u>
Sales deductions		
Sales returns of finished goods	(26,196,750,896)	(18,428,104,855)
Sales returns of merchandises	(5,933,701,473)	(2,940,345,718)
Sales discount	(14,098,981,584)	(4,249,931,707)
	<u>(46,229,433,953)</u>	<u>(25,618,382,280)</u>
Net revenue		
Revenue from selling finished goods	2,255,861,295,627	2,116,830,096,541
Revenue from selling merchandises	900,991,004,793	738,802,756,248
Revenue from services rendered	142,590,177	143,497,425
Revenue from investment property	95,486,625,455	-
	<u>3,252,481,516,052</u>	<u>2,855,776,350,214</u>

29. PRODUCTION AND OPERATION COST BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	892,785,980,460	896,389,569,782
Staff cost	664,528,667,343	634,831,657,925
Depreciation and amortisation	80,236,622,047	68,505,435,031
Out-sourced services and other expenses	407,753,272,916	352,440,413,283
	<u>2,045,304,542,766</u>	<u>1,952,167,076,021</u>

30. FINANCIAL INCOME

	Current year VND	Prior year VND
Bank interest	25,624,421,639	6,677,801,622
Dividends received	180,003,200	180,003,000
Foreign exchange gain	4,167,594,881	6,655,350,297
	<u>29,972,019,720</u>	<u>13,513,154,919</u>

31. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expense	11,434,553,822	11,068,142,459
Provision for impairment of investment	-	20,660,374
Reversal provision for impairment of investment	(655,349,577)	(762,934,406)
Foreign exchange loss	2,561,915,818	5,243,752,809
Others	992,916,098	1,338,916,640
	<u>14,334,036,161</u>	<u>16,908,537,876</u>

32. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Selling expenses		
Staff cost	235,946,850,599	221,978,644,351
Marketing and trade fair expenses	132,766,877,524	101,184,136,564
Depreciation and amortisation	4,723,224,723	3,763,088,360
Others	126,607,242,913	105,698,112,179
	<u>500,044,195,759</u>	<u>432,623,981,454</u>
General and administration expenses		
Staff cost	201,454,971,636	188,500,709,544
Out-sourced services	59,870,032,428	48,735,353,122
Depreciation and amortisation	20,085,024,615	20,955,380,885
Others	3,730,189,815	14,557,415,325
	<u>285,140,218,494</u>	<u>272,748,858,876</u>

33. OTHER PROFIT

	Current year VND	Prior year VND
Other income		
Compensation for damaged materials	1,076,369,741	2,129,926,462
Gains from disposal of fixed assets	1,060,573,629	1,329,349,946
Others	7,586,440,252	7,846,257,921
	<u>9,723,383,622</u>	<u>11,305,534,329</u>
Other expenses		
Others	817,351,647	935,307,493
	<u>817,351,647</u>	<u>935,307,493</u>
Profit from other activities	<u>8,906,031,975</u>	<u>10,370,226,836</u>

34. CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Current corporate income tax expense		
Corporate income tax expense based on taxable income in the current year	93,464,476,443	72,603,985,173
Adjustments for corporate income tax expense in previous years to the current year	547,562,222	411,991,342
Total current corporate income tax expense	<u>94,012,038,665</u>	<u>73,015,976,515</u>

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

	Current year VND	Prior year VND
Profit before tax	436,850,758,578	368,270,871,380
Adjustments for taxable income		
Non-deductible expenses	6,414,702,763	5,810,184,705
Change in accrued expenses	10,628,063,168	3,119,511,903
Change in provision for obsolete inventories	9,906,864,342	2,149,703,484
Difference of provision for severance allowance between Labor code and Corporate income tax law	(670,818,173)	1,214,571,414
Unrealised foreign exchange difference of cash and receivables	(589,862,995)	775,873,688
Loss in subsidiaries	2,695,902,850	461,063,061
Change in provision of doubtful debts	(35,510,181)	(27,721,601)
Dividend received	(180,003,200)	(180,003,000)
Change in provision for long-term investment	332,225,750	(762,934,406)
Allocated panel expense	-	(1,555,957,212)
Change in unrealised profit	11,456,388,372	(10,463,286,371)
Current year's taxable income	476,808,711,274	368,811,877,045
Corporate income tax based on taxable income in the current year	95,361,742,256	73,817,981,754
Tax deduction	(1,897,265,813)	(1,213,996,581)
Current corporate income tax expense	93,464,476,443	72,603,985,173

The Group is obliged to pay corporate income tax at the rate of 20% (2018: 20%) of taxable income, except for Thien Long Long Thanh Manufacturing and Trading Company Limited ("TLLT") as presented below.

TLLT is obliged to pay corporate income tax at the rate of 15% of its taxable income for the first twelve (12) years and normal tax rate for the following years. TLLT is entitled to a corporate income tax exemption for three (03) years from the first taxable profit-making year (2010) and a reduction of 50% for the following seven (07) years.

The Group is allowed to carry the tax losses to the following year for offset against taxable income for five consecutive years from the year in which the loss was incurred. At the end of the financial year, the Group had the aggregate estimated losses of its subsidiaries of VND 3,759,871,731 (as at 31 December 2018: VND 1,063,968,881), which may be used to offset them with taxable income arising in the future.

The Group's tax losses carried forward are due under the following schedule:

Year	Losses can be carried to year VND	Tax losses VND	Tax losses carried as at 31 December 2019 VND	Outstanding amount as at 31 December 2019 VND
2016	2021	452,778,353	-	452,778,353
2017	2022	150,127,467	-	150,127,467
2018	2023	461,063,061	-	461,063,061
2019	2024	2,695,902,850	-	2,695,902,850
		3,759,871,731	-	3,759,871,731

Tax losses of the subsidiaries are not yet finalised by the local tax authorities at the date of the consolidated financial statements.

As at 31 December 2019, deferred tax assets have not been recognised for the remaining cumulative tax losses is VND 3,759,871,731 from subsidiaries because it is unable to estimate future taxable income.

Tax amounts reported in the consolidated 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 consolidated financial statements is subject to changes upon tax finalisation.

35. BASIC EARNINGS PER SHARE

a. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

Basic earnings per share is calculated as below:

	Current year VND	Prior year VND
Profit after corporate income tax	349,087,049,076	294,384,242,148
Less: Bonus and welfare fund (*)	<u>(34,908,704,908)</u>	<u>(29,438,424,215)</u>
Profit after corporate income tax belong to shareholders of ordinary shares	314,178,344,168	264,945,817,933
Weighted average number of ordinary shares in circulation (shares) (**)	76,931,439	76,931,439
Basic earnings per share (VND/share)	<u>4,084</u>	<u>3,444</u>

(*) Bonus and welfare funds are provision by 10% consolidated profit after tax base on Annual General Shareholders Meeting's Resolution of 2018 dated 31 May 2019.

(**) Average number of outstanding shares in circulation for year ended 31 December 2019 and 31 December 2018 are adjusted to reflect the issuance of 5,000,000 new shares to NWL Cayman Holdings Ltd., and the issuance of 7,071,600 new shares as 2nd dividends distribution and to increase Company's charter capital. Therefore, basic earnings per share for year ended 31 December 2018 was restated from 4,031 VND/share to 3,444 VND/share.

b. Diluted earnings per share

The Group does not have potentially dilutive ordinary shares.

36. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related Party</u>	<u>Relationship</u>
Thien Long An Think Investment Corporation	Main shareholder

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

	Current year VND	Prior year VND
Dividend declared		
Thien Long An Think Investment Corporation	<u>88,284,070,000</u>	<u>26,119,548,000</u>

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 year:

	Current year VND	Prior year VND
Salaries and bonus	<u>42,259,461,100</u>	<u>36,887,874,500</u>



37. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED 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 11,954,655,123 (2018: VND 2,986,946,267) representing an addition in fixed assets and construction in progress during the year that has not yet been paid. Consequently, changes in payables have been adjusted by the same amount.

Cash outflows for purchases of fixed assets and construction in progress during the year include an amount of VND 3,314,734,650 (2018: nil) representing the payment to supplies in this year for the addition in fixed assets and construction in progress in next year. Consequently, changes in receivables have been adjusted by the same amount.

Dividend paid during the year excluded an amount of VND 45,459,500 (2018: VND 46,807,350) representing the amount of dividends declared but not yet paid. Consequently, changes in payables have been adjusted by the same amount.

38. SUBSEQUENT EVENT

Pursuant to the Resolution of the Company's Annual General Meeting No. 01/2019/NQ-DHDCD dated 31 May 2019 and Resolution of Board of Directors No. 01/2020/NQ-HDQT dated 17 February 2020, the Board of Directors has approved the plan of 2nd dividends distribution in cash to existing shareholders from consolidated profit after tax for the year ended 31 December 2019 with the rate of 5%/par value. The date of finalising list of shareholders entitled to this dividends distribution is 6 March 2020 and the date of actual payment is 20 March 2020.

Owing to the current situation of the Novel Corona virus ("Covid-19") that has been disrupting the world's economy, therefore as of the date of this report, the Company's business operation may be affected as well due to uncertainty of the pandemic situation of Covid-19 in Vietnam. The Board of Managements has assessed carefully the potential impacts of Covid-19 on the Company's operational performance and management plan, together with actively revisiting its business strategy and working with its suppliers and customers to address the situation. The Board of Management found that the above issue does not have impact on the consolidated financial statements for the year ended 31 December 2019, while continues assessing the impacts for the fiscal year ending 31 December 2020.



Dao Xuan Nam
Preparer



Nguyen Ngoc Nhon
Chief Accountant



Nguyen Dinh Tam
Chief Executive Officer
30 March 2020

