



THIỆN LONG GROUP CORPORATION

TẬP ĐOÀN

THIỆN LONG

(Incorporated in the Socialist Republic of Vietnam)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the 6-month period ended 30 June 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 interim consolidated financial statements for the 6-month period ended 30 June 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 period 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 of the Company during the period and to the date of these interim consolidated financial statements is Mr. Co Gia Tho. Mr. Nguyen Dinh Tam is authorized to sign the interim consolidated financial statements for the 6-month period ended 30 June 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 interim consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its results and cash flows for the period then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting. In preparing these interim 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 interim consolidated financial statements;
- prepare the interim 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 interim consolidated financial statements so as to minimize 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 interim consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim 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 interim consolidated financial statements.

For and on behalf of the Board of Management,



Nguyen Dinh Tam
Chief Executive Officer
27 August 2019

No.: 0187 /VNIA-HC-BC

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim consolidated financial statements of Thien Long Group Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group"), prepared on 27 August 2019 as set out from page 4 to page 28, which comprise the interim consolidated balance sheet as at 30 June 2019, the interim consolidated income statement and the interim consolidated cash flow statement for the 6-month period then ended and a summary of significant accounting policies and other explanatory information.

Board of Management's Responsibility for the Interim Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express a conclusion on the accompanying interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements (VSRE) 2410 – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the interim consolidated financial position of the Group as at 30 June 2019, and of its interim consolidated financial performance and its interim consolidated cash flows for the 6-month period then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting.



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

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		1,661,496,251,309	1,176,632,415,566
I. Cash and cash equivalents	110	4	255,661,298,919	145,861,230,396
1. Cash	111		120,661,298,919	104,861,230,396
2. Cash equivalents	112		135,000,000,000	41,000,000,000
II. Short-term financial investments	120	5	293,000,000,000	-
1. Held-to-maturity investments	123		293,000,000,000	-
III. Short-term receivables	130		513,075,287,472	337,890,452,158
1. Short-term trade receivables	131	6	482,002,864,788	316,196,499,020
2. Short-term advances to suppliers	132	7	21,661,733,830	18,288,552,319
3. Other short-term receivables	136	8	10,273,874,755	4,271,091,002
4. Provision for short-term doubtful debts	137		(863,185,901)	(865,690,183)
IV. Inventories	140	9	589,971,088,898	684,484,261,574
1. Inventories	141		608,818,070,878	703,440,229,651
2. Provision for devaluation of inventories	149		(18,846,981,980)	(18,955,968,077)
V. Other short-term assets	150		9,788,576,020	8,396,471,438
1. Short-term prepayments	151	10	9,476,048,838	6,909,637,976
2. Value added tax deductibles	152		117,022,047	1,368,651,636
3. Taxes and other receivables from the State budget	153	18	195,505,135	118,181,826
B. NON-CURRENT ASSETS	200		628,209,387,032	618,027,228,802
I. Long-term receivables	210		3,117,561,962	2,679,733,353
1. Other long-term receivables	216	8	3,117,561,962	2,679,733,353
II. Fixed assets	220		471,688,118,177	417,122,326,343
1. Tangible fixed assets	221	11	443,324,162,017	386,671,680,681
- Cost	222		888,585,511,520	814,013,281,236
- Accumulated depreciation	223		(445,261,349,503)	(427,341,600,555)
2. Intangible assets	227	12	28,363,956,160	30,450,645,662
- Cost	228		65,750,001,567	65,414,225,817
- Accumulated amortization	229		(37,386,045,407)	(34,963,580,155)
III. Investment property	230	13	65,011,388,738	59,888,350,067
- Cost	231		65,011,388,738	59,888,350,067
IV. Long-term assets in progress	240		13,244,625,616	64,703,776,055
1. Construction in progress	242	14	13,244,625,616	64,703,776,055
V. Long-term financial investments	250	5	21,087,606,465	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		(9,597,393,535)	(10,248,237,577)
VI. Other long-term assets	260		54,060,086,074	53,196,280,561
1. Long-term prepayments	261	10	30,860,692,078	28,143,995,826
2. Deferred tax assets	262	15	23,199,393,996	25,052,284,735
TOTAL ASSETS (270=100+200)	270		2,289,705,638,341	1,794,659,644,368

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

INTERIM CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2019

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		510,753,236,020	525,991,247,698
I. Current liabilities	310		455,511,650,670	495,903,207,694
1. Short-term trade payables	311	16	162,989,761,905	137,335,288,838
2. Short-term advances from customers	312	17	15,820,251,573	3,860,818,654
3. Taxes and amounts payable to the State budget	313	18	57,910,083,899	14,259,738,175
4. Payables to employees	314		25,332,394,009	23,729,016,904
5. Short-term accrued expenses	315	19	59,537,169,793	76,135,843,561
6. Other current payables	319	20	9,291,612,914	6,752,874,128
7. Short-term loans	320	22	122,528,207,712	222,159,942,446
8. Bonus and welfare funds	322	25	2,102,168,865	11,669,684,988
II. Long-term liabilities	330		55,241,585,350	30,088,040,004
1. Long-term loans	338	23	25,846,153,845	-
2. Long-term provisions	342	21	29,395,431,505	30,088,040,004
D. EQUITY	400		1,778,952,402,321	1,268,668,396,670
I. Owner's equity	410	24	1,778,952,402,321	1,268,668,396,670
1. Owner's contributed capital	411		707,228,530,000	657,228,530,000
- Ordinary shares carrying voting rights	411a		707,228,530,000	657,228,530,000
2. Share premium	412		392,944,802,300	28,281,183,000
3. Investment and development fund	418		193,377,722,556	158,051,613,498
4. Retained earnings	421		485,401,347,465	425,107,070,172
- Retained earnings accumulated to the prior period/year end	421a		303,840,747,237	153,435,891,362
- Retained earnings of the current period/year	421b		181,560,600,228	271,671,178,810
TOTAL RESOURCES (440=300+400)	440		<u>2,289,705,638,341</u>	<u>1,794,659,644,368</u>



Dao Xuan Nam
Preparer



Nguyen Ngoc Nhon
Chief Accountant





Nguyen Dinh Tam
Chief Executive Officer
27 August 2019

INTERIM CONSOLIDATED INCOME STATEMENT
 For the 6-month period ended 30 June 2019

Unit: VND

ITEMS	Codes	Notes	Current period	Prior period
1. Gross revenue from goods sold	01		1,557,330,996,298	1,412,733,610,973
2. Deductions	02		19,543,193,396	13,450,809,632
3. Net revenue from goods sold (10=01-02)	10	28	1,537,787,802,902	1,399,282,801,341
4. Cost of sales	11		960,302,666,614	865,715,351,349
5. Gross profit from goods sold (20=10-11)	20		577,485,136,288	533,567,449,992
6. Financial income	21	30	9,537,489,741	5,637,861,554
7. Financial expenses	22	31	7,088,468,153	8,003,912,859
- In which: Interest expense	23		6,208,648,892	5,227,832,252
8. Selling expenses	25	32	213,432,402,014	201,946,073,361
9. General and administration expenses	26	32	137,772,773,900	131,073,597,659
10. Operating profit (30=20+(21-22)-(25+26))	30		228,728,981,962	198,181,727,667
11. Other income	31		3,951,727,714	6,892,694,219
12. Other expenses	32		210,381,009	101,552,341
13. Profit from other activities (40=31-32)	40	33	3,741,346,705	6,791,141,878
14. Accounting profit before tax (50=30+40)	50		232,470,328,667	204,972,869,545
15. Current corporate income tax expense	51	34	45,304,437,700	38,199,859,049
16. Deferred corporate tax expense	52	15	1,852,890,739	2,642,377,117
17. Net profit after corporate income tax (60=50-51-52)	60		185,313,000,228	164,130,633,379
Attributable to:				
The Parent Company's shareholders	61		185,313,000,228	164,130,633,379
18. Basic earnings per share	70	35	2,418	2,141


 Dao Xuan Nam
 Preparer


 Nguyen Ngoc Nhon
 Chief Accountant





 Nguyen Dinh Tam
 Chief Executive Officer
 27 August 2019


INTERIM CONSOLIDATED CASH FLOW STATEMENT

For the 6-month period ended 30 June 2019

Unit: VND

ITEMS	Codes	Current period	Prior period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	232,470,328,667	204,972,869,545
2. Adjustments for:			
Depreciation and amortization of fixed assets	02	38,127,499,450	32,356,918,652
Provisions	03	(1,454,942,920)	624,213,169
Foreign exchange loss/(gain) arising from translating foreign currency items	04	230,783,217	(485,140,885)
Gain from investing activities	05	(8,466,535,298)	(4,534,301,702)
Interest expense	06	6,208,648,892	5,227,832,252
3. Operating profit before movements in working capital	08	267,115,782,008	238,162,391,031
Changes in receivables	09	(169,845,704,492)	(188,815,460,564)
Changes in inventories	10	91,925,193,826	(87,703,329,619)
Changes in payables	11	36,491,831,240	47,248,755,547
Changes in prepaid expenses	12	(5,496,596,820)	(6,753,042,616)
Interest paid	14	(6,408,638,214)	(5,117,739,953)
Corporate income tax paid	15	(17,765,673,366)	(17,155,231,648)
Other cash outflows	17	(27,963,877,000)	(25,291,624,000)
Net cash generated by/(used in) operating activities	20	168,052,317,182	(45,425,281,822)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets	21	(39,045,411,849)	(118,866,023,870)
2. Proceeds from sale, disposals of fixed assets	22	976,134,091	1,004,518,939
3. Cash outflow for term deposits	23	(293,000,000,000)	-
4. Interest, dividends and profits received	27	2,815,487,511	4,547,732,645
Net cash used in investing activities	30	(328,253,790,247)	(113,313,772,286)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from share issue	31	414,663,619,300	-
2. Proceeds from borrowings	33	349,127,851,239	428,503,268,818
3. Repayment of borrowings	34	(422,913,432,128)	(323,440,494,367)
4. Dividends paid	36	(70,758,494,850)	(50,556,256,000)
Net cash generated by financing activities	40	270,119,543,561	54,506,518,451
Net increase/(decrease) in cash (50=20+30+40)	50	109,918,070,496	(104,232,535,657)
Cash and cash equivalents at the beginning of the period	60	145,861,230,396	353,869,383,127
Effects of changes in foreign exchange rates	61	(118,001,973)	25,999,768
Cash and cash equivalents at the end of the period (70=50+60+61)	70	255,661,298,919	249,662,847,238


 Dao Xuan Nam
 Preparer


 Nguyen Ngoc Nhon
 Chief Accountant




 Nguyen Dinh Tam
 Chief Executive Officer
 27 August 2019

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the interim consolidated 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 sixteenth amended Business Registration Certificate dated 25 March 2019, the Company's charter capital is VND 707,228,530,000.

The Company's shares were listed on Ho Chi Minh Stock Exchange with "TLG" code in accordance with Decision No. 20/QD-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 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 30 June 2019 was 3,401 (as at 31 December 2018: 3,502).

Operating industry and principal activities

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

The principal activities are to manufacture and trade stationaries products, class room equipment, plastic teaching instruments, plastic household appliances, printing stamps, tampo (pad) 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 30 June 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	Ha Noi City	100%	100%	Trading stationery
Tan Luc Middle Trading and Service One Member Company Limited	Da Nang City	100%	100%	Trading stationery

According to Resolution No. 06/2019/NQ-HDQT dated 20 May 2019, the Board of Directors approved an oversea investment project through the establishment of FlexOffice Pte. Ltd. in Singapore with total investment amount of USD 814,402 (equivalent to VND 19,000,000,000), the main activities are to trade stationery. At the date of these interim consolidated financial statements, the Company is still in the process of completing legal procedures to establish this new subsidiary.

Disclosure of comparative information in the interim consolidated financial statements

The comparative figures of the interim consolidated balance sheet are the figures of audited consolidated financial statements for the year ended 31 December 2018. The comparative figures of the interim consolidated income statement and interim consolidated cash flow statement are the figures of the reviewed interim consolidated financial statements for the 6-month period ended 30 June 2018.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**Accounting convention**

The interim 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 interim financial reporting.

The interim 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. The interim consolidated financial statements are prepared for the 6-month period ended each 30 June.

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 period 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 recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period 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.

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 and other held-to-maturity investments.

Held-to-maturity investments are recognized on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognized in the interim consolidated income statement on accrual basis. Pre-acquisition interest is deducted from the cost of such investments at the acquisition date.

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

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 investments and equity investments 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 realizable 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 realizable 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 realizable 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 and others	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 recognized in the interim consolidated income statement.

Intangible assets and amortization

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 amortized 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 amortized under prevailing regulations.

Other intangible assets are amortized 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 recognized 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 recognized 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 expenditures and insurance cost. These expenditures have been capitalized and are allocated to the interim consolidated income statement using the straight-line method in accordance with the current prevailing accounting regulations.

The prepaid land rental represents the unamortized 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 recognized as long-term prepayments for allocation to the interim consolidated income statement over the remaining lease period according to Circular 45/2013/TT-BTC.

Provisions

Provisions are recognized 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 Labor 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 interim consolidated income statement.

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

Revenue recognition

Revenue from the sale of goods is recognized 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 recognized 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 recognized when the Group's right to receive payment has been established.

Borrowing costs

Borrowing costs are recognized in the interim consolidated income statement in the period when incurred unless they are capitalized 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 recognized in the interim 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 income for the period. Taxable income differs from profit before tax as reported in the interim consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the interim 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 recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to the interim 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, presented as a liability on the interim consolidated balance sheet.

4. CASH AND CASH EQUIVALENTS

	Closing balance <u>VND</u>	Opening balance <u>VND</u>
Cash on hand	3,913,834,137	2,938,707,366
Bank demand deposits	116,747,464,782	101,922,523,030
Cash equivalents (*)	135,000,000,000	41,000,000,000
	<u>255,661,298,919</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.

As at 30 June 2019, the Group has pledged a deposit with a period of 2 months of VND 500,000,000 was provided as L/C payment at the commercial bank (as at 31 December 2018: nil).

5. FINANCIAL INVESTMENTS

a. Held-to-maturity investments

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

As at 30 June 2019, the Group has pledged a deposit with a period of 6 months of VND 20,000,000,000 was provided as L/C payment at the commercial bank (as at 31 December 2018: nil).

b. Long-term financial investments

	Closing balance VND	Opening balance VND
Equity investments in the entities		
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	(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	(543,193,535)	(591,017,577)
	<u>(9,597,393,535)</u>	<u>(10,248,237,577)</u>
Net long-term investments	<u>21,087,606,465</u>	<u>20,436,762,423</u>

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

	Current period VND	Prior period VND
Opening balance	(10,248,237,577)	(10,990,511,609)
Reversal of provision	650,844,042	-
Closing balance	<u>(9,597,393,535)</u>	<u>(10,990,511,609)</u>

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
SQI Group Int'l. Corp.	33,561,517,637	24,647,055,595
SHWE Co. Ltd	20,881,657,750	9,857,723,625
Crayola LLC	13,748,511,680	6,592,190,868
Other customers	413,811,177,721	275,099,528,932
	<u>482,002,864,788</u>	<u>316,196,499,020</u>

As noted further in Note 22, as at 30 June 2019, trade receivables of VND 50,000,000,000 was 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.	1,094,623,652	2,133,510,555
Kinh Van Trading- Service Co., Ltd	4,032,700,423	84,400,000
Tung Yung International Limited	-	1,814,042,699
Other suppliers	16,534,409,755	14,256,599,065
	<u>21,661,733,830</u>	<u>18,288,552,319</u>

8. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
a. Short-term		
- Advances to employees	3,616,395,449	1,430,437,816
- Bank interest receivables	5,160,486,299	485,572,603
- Deposits	340,305,234	533,489,104
- Others	1,156,687,773	1,821,591,479
	<u>10,273,874,755</u>	<u>4,271,091,002</u>
b. Long-term		
- Deposits	3,117,561,962	2,679,733,353
	<u>3,117,561,962</u>	<u>2,679,733,353</u>

9. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	27,339,441,786	-	30,618,793,824	-
Raw materials	254,473,927,880	(12,753,412,278)	281,184,898,857	(11,784,691,636)
Tools and supplies	4,640,659,932	-	4,181,825,417	-
Work in progress	45,077,429,713	(437,513,533)	38,892,236,583	(204,222,152)
Finished goods	165,006,427,130	(3,885,586,335)	225,805,145,876	(5,220,600,986)
Merchandise	112,280,184,437	(1,770,469,834)	122,757,329,094	(1,746,453,303)
	<u>608,818,070,878</u>	<u>(18,846,981,980)</u>	<u>703,440,229,651</u>	<u>(18,955,968,077)</u>

As noted further in Note 22, as at 30 June 2019, the total value of inventories consist of VND 80,000,000,000 and USD 5,000,000 was 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 current period and prior period were as follows:

	Current period VND	Prior period VND
Opening balance	(18,955,968,077)	(16,832,357,044)
Additional provision	(5,275,796,070)	(6,019,145,197)
Reversal of provision	5,384,782,167	4,926,880,093
Closing balance	<u>(18,846,981,980)</u>	<u>(17,924,622,148)</u>

10. PREPAYMENTS

	Closing balance VND	Opening balance VND
a. Short-term		
- Advertising and marketing expenses	2,420,917,856	1,070,305,431
- Health and asset insurance	2,207,570,787	1,318,958,283
- SAP maintenance fee	904,376,766	-
- Tools and supplies	539,121,967	1,161,797,242
- Others	3,404,061,462	3,358,577,020
	<u>9,476,048,838</u>	<u>6,909,637,976</u>
b. Long-term		
- Land rental fee (*)	11,062,628,071	11,227,332,211
- Tools and supplies	11,847,547,802	10,794,932,527
- Others	7,950,516,205	6,121,731,088
	<u>30,860,692,078</u>	<u>28,143,995,826</u>

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

As noted further in Note 22, the Group has pledged land use right of land rental to secure banking facilities granted to the Group.

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11. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Moulds and other assets VND	Total 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
Addition	-	75,353,266,618	1,787,109,090	449,469,000	15,846,447,712	93,436,292,420
Disposals	-	(4,418,501,390)	(956,036,504)	(34,893,914)	(13,454,630,328)	(18,864,062,136)
Closing balance	227,186,559,717	447,983,874,214	44,482,399,308	16,402,427,514	152,530,250,767	888,585,511,520
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 period	5,222,549,566	21,469,821,337	2,882,894,034	716,530,448	6,598,019,187	36,889,814,572
Other adjustments	-	(106,003,488)	-	-	-	(106,003,488)
Disposals	-	(4,418,501,390)	(956,036,504)	(34,893,914)	(13,454,630,328)	(18,864,062,136)
Closing balance	67,633,830,396	220,470,959,004	25,209,524,447	15,654,126,342	116,292,909,314	445,261,349,503
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	159,552,729,321	227,512,915,210	19,272,874,861	748,301,172	36,237,341,453	443,324,162,017
<i>In which</i>						
<i>Pledged as loan security (Note 22 and 23)</i>	41,020,702,453	66,357,503,569	-	-	1,794,756,891	109,172,962,913

As at 30 June 2019, the cost of tangible fixed assets included VND 212,910,958,632 (as at 31 December 2018: VND 214,086,699,319) of assets which have been fully depreciated but are still in use.



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	-	335,775,750	-	-	335,775,750
Closing balance	16,047,625,000	49,219,398,167	367,000,000	115,978,400	65,750,001,567
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 period	-	2,422,465,252	-	-	2,422,465,252
Closing balance	1,175,864,496	35,727,202,511	367,000,000	115,978,400	37,386,045,407
NET BOOK VALUE					
Opening balance	14,871,760,504	15,578,885,158	-	-	30,450,645,662
Closing balance	14,871,760,504	13,492,195,656	-	-	28,363,956,160
<i>In which</i>					
<i>Pledged as loan security (Note 22)</i>	8,671,760,504	-	-	-	8,671,760,504

As at 30 June 2019, the cost of intangible assets included VND 12,539,790,633 (as at 31 December 2018: VND 11,291,850,633) of assets which have been fully amortized but are still in use.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. INVESTMENT PROPERTY

As at 30 June 2019, the investment property of the Company includes land use right at Lot 209, Thac Gian Ward, Thanh Khe 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 30 June 2019 is required to be disclosed. However, the Group could not determine the fair value as at 30 June 2019 as the Group is unable to reference to market price of similar property; therefore, no information about the fair value is disclosed in the notes to the interim consolidated financial statements.

14. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Moulds under installation	7,249,364,854	15,552,737,327
Equipment under manufacturing and installation	3,327,134,262	46,717,784,452
Others	2,668,126,500	2,433,254,276
	<u>13,244,625,616</u>	<u>64,703,776,055</u>

15. DEFERRED TAX ASSETS

The following are the major deferred tax liabilities and assets recognized by the Group, and the movements thereon, during the current period and prior period:

	Unrealized profit VND	Accrued expense VND	Provisions VND	Allocated expense VND	Foreign exchange difference VND	Total VND
Prior period'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 period	(3,076,085,265)	504,962,754	160,332,709	(145,977,877)	(85,609,438)	(2,642,377,117)
Prior period's closing balance	<u>11,203,566,111</u>	<u>2,352,712,178</u>	<u>9,634,868,795</u>	<u>207,685,366</u>	<u>(118,272,115)</u>	<u>23,280,560,335</u>
Current period'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 period	(3,070,774,307)	1,253,240,961	46,173,167	-	(81,530,560)	(1,852,890,739)
Current period's closing balance	<u>9,171,826,542</u>	<u>3,763,923,472</u>	<u>10,226,119,383</u>	<u>-</u>	<u>37,524,599</u>	<u>23,199,393,996</u>

16. SHORT-TERM TRADE PAYABLES

	Closing balance VND	Opening balance VND
MCAIDE Enterprise Co., Ltd.	3,414,297,600	19,829,481,287
Pagani Pens SA	9,466,121,408	8,688,755,315
Other suppliers	150,109,342,897	108,817,052,236
	<u>162,989,761,905</u>	<u>137,335,288,838</u>

17. SHORT-TERM ADVANCES FROM CUSTOMERS

	Closing balance VND	Opening balance VND
Summit Building Co., Ltd.	10,000,000,000	-
Other customers	5,820,251,573	3,860,818,654
	<u>15,820,251,573</u>	<u>3,860,818,654</u>

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

	Opening balance VND	Payable during the period VND	Paid during the period VND	Closing balance VND
a. Receivables				
Corporate income tax	118,181,826	77,323,309	-	195,505,135
	<u>118,181,826</u>	<u>77,323,309</u>	<u>-</u>	<u>195,505,135</u>
b. Payables				
Output value added tax	3,890,746,075	69,775,054,952	(54,257,344,878)	19,408,456,149
Import tax	-	6,175,823,287	(6,175,823,287)	-
Corporate income tax	9,033,189,216	45,381,761,009	(17,765,673,366)	36,649,276,859
Personal income tax	1,335,802,884	18,051,614,403	(17,535,066,396)	1,852,350,891
	<u>14,259,738,175</u>	<u>139,384,253,651</u>	<u>(95,733,907,927)</u>	<u>57,910,083,899</u>

19. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
13th & 14th month salary and incentive	36,861,979,599	61,379,434,501
Advertisement and marketing expenses	13,118,459,795	1,841,443,151
Interest expense	308,537,614	508,526,936
Others	9,248,192,785	12,406,438,973
	<u>59,537,169,793</u>	<u>76,135,843,561</u>

20. OTHER CURRENT PAYABLES

	Closing balance VND	Opening balance VND
Dividends	11,165,500	46,807,350
Trade union fee	2,833,684,145	2,678,492,633
Others	6,446,763,269	4,027,574,145
	<u>9,291,612,914</u>	<u>6,752,874,128</u>

21. LONG-TERM PROVISIONS

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



22. SHORT-TERM LOANS

	Opening balance		During the period		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	97,811,786,742	(123,562,335,248)	39,559,173,400	39,559,173,400
Vietnam Joint Stock Commercial Bank for Industry and Trade - West Saigon Branch	14,182,307,862	14,182,307,862	103,204,443,309	(96,993,883,207)	20,392,867,964	20,392,867,964
HSBC Bank (Vietnam) Ltd.	73,382,133,714	73,382,133,714	96,916,707,594	(126,602,258,366)	43,696,582,942	43,696,582,942
United Overseas Bank (Vietnam)	34,244,281,429	34,244,281,429	19,377,543,943	(40,713,457,772)	12,908,367,600	12,908,367,600
JSC Bank for Foreign Trade of Vietnam - Bien Hoa Branch	29,982,265,398	29,982,265,398	3,817,369,651	(29,982,265,398)	3,817,369,651	3,817,369,651
	217,100,710,309	217,100,710,309	321,127,851,239	(417,854,199,991)	120,374,361,557	120,374,361,557
b. Current portion of long- term loans (Note 23)						
	5,059,232,137	5,059,232,137	2,153,846,155	(5,059,232,137)	2,153,846,155	2,153,846,155
	222,159,942,446	222,159,942,446	323,281,697,394	(422,913,432,128)	122,528,207,712	122,528,207,712

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 Group used its land use rights, buildings and structures, machinery and equipment 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 for its working capital. The facility bears interest determined specifically in each debit note. The Group used its land use rights, buildings and structures, machinery and equipment as collaterals for the loan (see Note 10, 11).

Short-term loan with HSBC Bank (Vietnam) Ltd. is obtained to finance for 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) is obtained to finance for 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 for its working capital requirements. The facility is unsecured and bears interest determined specifically in each debit note.

23. LONG-TERM LOANS

	Opening balance		During the period		Closing balance	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off VND
HSBC Bank (Vietnam) Ltd.	-	-	28,000,000,000	-	28,000,000,000	28,000,000,000
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)	-	-
	5,059,232,137	5,059,232,137	28,000,000,000	(5,059,232,137)	28,000,000,000	28,000,000,000

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
Within one year	2,153,846,155	5,059,232,137
From second to fifth year	25,846,153,845	-
	28,000,000,000	5,059,232,137
Less: Amount due for settlement within 12 months (Note 22)	(2,153,846,155)	(5,059,232,137)
	25,846,153,845	-

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).

24. OWNERS' EQUITY

Movement of owners' equity

	Owners' contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
For the 6-month period ended 30 June 2018					
Prior period's opening balance	505,562,560,000	28,281,183,000	125,884,643,498	400,226,388,751	1,059,954,775,249
Profit for the period	-	-	-	164,130,633,379	164,130,633,379
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)
Allowance for the Boards of Directors and Supervisors	-	-	-	(3,150,000,000)	(3,150,000,000)
Prior period's ending balance	505,562,560,000	28,281,183,000	158,051,613,498	516,638,750,741	1,208,534,107,239
For the 6-month period ended 30 June 2019					
Current period's opening balance	657,228,530,000	28,281,183,000	158,051,613,498	425,107,070,172	1,268,668,396,670
Issuance of new shares	50,000,000,000	364,663,619,300	-	-	414,663,619,300
Profit for the period	-	-	-	185,313,000,228	185,313,000,228
Dividends declared from 2018's profit after tax	-	-	-	(70,722,853,000)	(70,722,853,000)
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	-	-	-	(15,217,360,877)	(15,217,360,877)
Allowance for the Boards of Directors and Supervisors from 2019's profit after tax	-	-	-	(3,752,400,000)	(3,752,400,000)
Current period's closing balance	707,228,530,000	392,944,802,300	193,377,722,556	485,401,347,465	1,778,952,402,321

According 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 with 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 was amount of VND 10,336,380,700, the Company recognized 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-SGDHCM dated 2 April 2019, the number of additional shares in circulation is 5,000,000, this change becomes effective since 4 April 2019.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pursuant to 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 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, 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; in the 6-month period ended 30 June 2019, the Company distributed an amount of VND 121,266,322,935, the remaining amount that was distributed in the last 6-month period in 2019.

Capital transactions with shareholders and distribution of dividends**Contributed capital**

	Current period VND	Prior period VND
Opening balance	657,228,530,000	505,562,560,000
Additions	50,000,000,000	-
Closing balance	<u>707,228,530,000</u>	<u>505,562,560,000</u>

Dividends

	Current period VND	Prior period VND
Opening balance	46,807,350	50,597,703,450
Additions	70,722,853,000	-
Payments	(70,758,494,850)	(50,556,256,000)
Closing balance	<u>11,165,500</u>	<u>41,447,450</u>

Shares

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

	Closing balance	Opening balance
Authorized and issued share capital	70,722,853	65,722,853
Shares issued and fully contributed	70,722,853	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 current period and prior period were as follows:

	Current period VND	Prior period VND
Opening balance	11,669,684,988	12,918,710,261
Appropriation to the funds (Note 24)	15,217,360,877	12,401,301,389
Usage	(24,784,877,000)	(22,258,624,000)
Closing balance	<u>2,102,168,865</u>	<u>3,061,387,650</u>

26. OFF BALANCE SHEET ITEMS

Cash and cash equivalents included following foreign currencies:

	Closing balance	Opening balance
United State Dollars ("USD")	2,264,547	1,086,176
Euro ("EUR")	46,386	67,242
Chinese Yuan ("CNY")	25,537	19,942
Great Britain Pound ("GBP")	1,920	830
Singapore Dollars ("SGD")	1,139	925
Thai Baht ("THB")	12,400	4,840
Japanese Yen ("JPY")	-	28,200
Australia Dollars ("AUD")	110	110
Korean Won ("KRW")	96,000	96,000
Taiwan Dollars ("TWD")	12,570	12,570

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 period VND	Prior period VND
Net revenue		
Net revenue from domestic sales	1,266,487,173,648	1,201,294,569,857
Net revenue from export sales	271,300,629,254	197,988,231,484
	1,537,787,802,902	1,399,282,801,341
Cost of goods sold		
Cost of goods sold from domestic sales	750,986,252,855	713,675,042,591
Cost of goods sold from export sales	209,316,413,759	152,040,308,758
	960,302,666,614	865,715,351,349
Gross profit		
Gross profit from domestic sales	515,500,920,793	487,619,527,266
Gross profit from export sales	61,984,215,495	45,947,922,726
	577,485,136,288	533,567,449,992

28. NET REVENUE

	Current period VND	Prior period VND
Gross revenue		
Revenue from selling finished goods	1,006,224,844,757	1,021,884,951,648
Revenue from selling merchandises	551,101,460,628	390,848,659,325
Revenue from services rendered	4,690,913	-
	1,557,330,996,298	1,412,733,610,973
Sales deductions		
Sales returns of finished goods	(9,839,914,255)	(6,712,078,067)
Sales returns of merchandises	(4,382,273,426)	(4,050,966,396)
Sales discount	(5,321,005,715)	(2,687,765,169)
	(19,543,193,396)	(13,450,809,632)
Net revenue		
Net revenue from selling finished goods	996,384,930,502	1,015,172,873,581
Net revenue from selling merchandises	541,398,181,487	384,109,927,760
Net revenue from services rendered	4,690,913	-
	1,537,787,802,902	1,399,282,801,341

29. PRODUCTION AND OPERATION COST BY NATURE

	Current period VND	Prior period VND
Raw materials and consumables	421,624,691,737	440,345,980,171
Salary and welfare cost	326,319,820,862	315,730,938,453
Depreciation and amortization	39,312,279,824	33,460,678,483
Out-sourced services and other expenses	161,856,940,085	159,756,058,206
	<u>949,113,732,508</u>	<u>949,293,655,313</u>

30. FINANCIAL INCOME

	Current period VND	Prior period VND
Bank interest	7,385,398,007	3,532,274,263
Foreign exchange gain	2,047,088,534	2,000,584,291
Dividends received	105,003,200	105,003,000
	<u>9,537,489,741</u>	<u>5,637,861,554</u>

31. FINANCIAL EXPENSES

	Current period VND	Prior period VND
Interest expense	6,208,648,892	5,227,832,252
Reversal of provision for impairment of investment	(650,844,042)	-
Foreign exchange loss	996,794,510	2,099,624,163
Others	533,868,793	676,456,444
	<u>7,088,468,153</u>	<u>8,003,912,859</u>

32. SELLING, AND GENERAL & ADMINISTRATION EXPENSES

	Current period VND	Prior period VND
Selling expenses		
Staff cost	115,064,046,680	110,424,371,855
Marketing and trade fair expenses	39,885,451,562	32,377,009,749
Depreciation and amortization	2,282,833,540	1,034,495,547
Others	56,200,070,232	58,110,196,210
	<u>213,432,402,014</u>	<u>201,946,073,361</u>
General and administration expenses		
Staff cost	99,712,157,607	91,911,516,965
Out-sourced services	15,228,338,069	16,324,555,202
Depreciation and amortization	10,298,641,080	10,377,879,247
Others	12,533,637,144	12,459,646,245
	<u>137,772,773,900</u>	<u>131,073,597,659</u>

33. OTHER PROFIT

	Current period VND	Prior period VND
Other income		
Compensation for damaged materials	102,005,156	2,166,712,871
Gains from disposal of fixed assets	976,134,091	897,024,439
Others	2,873,588,467	3,828,956,909
	<u>3,951,727,714</u>	<u>6,892,694,219</u>
Other expenses		
Others	210,381,009	101,552,341
	<u>210,381,009</u>	<u>101,552,341</u>
Other profit	<u>3,741,346,705</u>	<u>6,791,141,878</u>

34. CORPORATE INCOME TAX EXPENSE

	Current period VND	Prior period VND
Corporate income tax based on taxable income in the current period	44,863,309,762	38,193,335,988
Adjustments for corporate income tax expenses in previous periods to the current period	441,127,938	6,523,061
Current corporation income tax expenses	<u>45,304,437,700</u>	<u>38,199,859,049</u>

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

	Current period VND	Prior period VND
Profit before tax	232,470,328,667	204,972,869,545
Adjustments for taxable income		
Non-deductible expenses	1,749,974,153	2,338,221,821
Change in accrued expenses	5,825,369,263	2,541,667,209
Change in provision for obsolete inventories	(108,986,098)	1,263,297,960
Difference of provision for severance allowance between Labor code and Corporate income tax law	(692,608,499)	(441,583,864)
Unrealized foreign exchange difference of cash and receivables	(420,325,404)	(428,579,090)
Loss in subsidiaries	4,339,470,600	110,391,043
Change in provision of doubtful debts	-	(21,021,601)
Dividend received	(105,003,200)	(105,003,000)
Change in provision for long-term investment	118,923,559	
Allocated expense	-	(954,707,416)
Change in unrealized profit	(14,896,861,671)	(15,173,468,144)
Taxable income	<u>228,280,281,370</u>	<u>194,102,084,463</u>
Tax loss carried forward	-	(141,071,798)
Current period's taxable income	<u>228,280,281,370</u>	<u>193,961,012,665</u>
Corporate income tax based on taxable income in the current period	45,729,409,865	38,527,820,669
Tax deduction	(866,100,103)	(334,484,681)
Current corporate income tax expenses	<u>44,863,309,762</u>	<u>38,193,335,988</u>

The Group is obliged to pay corporate income tax at the rate of 20% (prior period: 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 twelve (12) first 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 income-making year (2010) and a reduction of 50% for the following seven (07) years.

The Group is permitted 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 period, the Group had the aggregate estimated losses of its subsidiaries of VND 4,950,661,128 (as at 31 December 2018: VND 611,190,528), 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	Tax losses VND	Tax losses carried as at 30 June 2019 VND	Outstanding amount as at 30 June 2019 VND
2017	2022	150,127,467	-	150,127,467
2018	2023	461,063,061	-	461,063,061
2019	2024	4,339,470,600	-	4,339,470,600
		<u>4,950,661,128</u>	<u>-</u>	<u>4,950,661,128</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As at 30 June 2019, deferred tax assets have not been recognized for the remaining cumulative tax losses is VND 4,950,661,128 from subsidiaries because it is unable to estimate future taxable income.

Tax amounts reported in the interim consolidated financial statements has not been finalized 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 finalization.

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 period, excluding ordinary shares repurchased by the Group and held as treasury shares.

Basic earnings per share is calculated as below:

	Current period VND	Prior period VND
Profit after corporate income tax	185,313,000,228	164,130,633,379
Less: Bonus and welfare fund (*)	<u>(18,531,300,023)</u>	<u>(16,413,063,338)</u>
Profit after corporate income tax belong to shareholders of ordinary shares	166,781,700,205	147,717,570,041
Weighted average number of ordinary shares in circulation (shares) (**)	68,982,522	68,982,522
Basic earnings per share (VND/share)	<u>2,418</u>	<u>2,141</u>

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

(**) Average number of outstanding shares in circulation for the period ended 30 June 2019 and 30 June 2018 are adjusted to reflect the issuance of 5,000,000 private shares for NWL Cayman Holdings Ltd. Therefore, basic earnings per share for period ended 30 Jun 2018 was restated from 2,922 VND/share to 2,141 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 parties</u>	<u>Relationship</u>
Thien Long An Think Investment Corporation	Main shareholder
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 period as below:	

	Current period VND	Prior period VND
Salaries, bonus and allowances	<u>27,893,983,700</u>	<u>25,221,490,476</u>

37. SUPPLEMENTAL DISCLOSURES OF INTERIM CONSOLIDATED CASH FLOW STATEMENT**Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets and construction in progress during the period exclude an amount of VND 4,401,313,014 (prior period: VND 15,837,130,588) representing an addition in fixed assets and construction in progress during the period that has not yet been paid. Consequently, changes in payables have been adjusted by the same amount.

38. SUBSEQUENT EVENT

Pursuant to the Annual General Shareholders Meeting's Resolution No. 01/2019/NQ-DHDCD dated 31 May 2019, the Board of Directors Resolution No. 11/2019/NQ-HDQT dated 19 August 2019, the Board of Directors has approved the dividends distribution in shares from retained earnings of 2018 with the number of 3,536,142 shares, and has approved the share issuance to current shareholders from retained earnings with the number of 3,536,142 shares. The date of finalising list of shareholders entitled to this share issuance is 20 September 2019.



Dao Xuan Nam
Preparer



Nguyen Ngoc Nhon
Chief Accountant



Nguyen Dinh Tam
Chief Executive Officer
27 August 2019

