

Duc Thanh Wood Processing Joint Stock Company

Financial statements

For the year ended 31 December 2019



Duc Thanh Wood Processing Joint Stock Company

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Duc Thanh Wood Processing Joint Stock Company

GENERAL INFORMATION

THE COMPANY

Duc Thanh Wood Processing Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 4103000126 issued by the Department of Planning and Investment of Ho Chi Minh City on 8 August 2000, as amended.

The Company's shares were listed on the Ho Chi Minh City Stock Exchange ("HOSE") with symbol GDT in accordance with the Decision No. 136/QD-SGDHCM issued by HOSE on 3 November 2009.

The current principal activities of the Company are to manufacture and trade wooden products.

The Company's registered head office is located at No. 21/6D, Phan Huy Ich Street, Ward 14, Go Vap District, Ho Chi Minh City, Vietnam. The Company also has one (1) branch located at Tan Hiep 49 Street, Tan Hoi Quarter, Tan Hiep Ward, Tan Uyen Town, Binh Duong Province, Vietnam; and one (1) showroom located at 216 Ly Tu Trong Street, Ward Ben Thanh, District 1, Ho Chi Minh City, Vietnam.

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Ms Le Hai Lieu	Chairman
Mr Le Hong Thang	Vice chairman
Mr Le Hong Thanh	Member
Mr Tran Xuan Nam	Member
Mr Le Nhu Vu	Member
Ms Truong Thi Dieu Le	Member
Ms Nguyen Ha Ngoc Diep	Member

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Ms Truong Thi Binh	Head
Mr Tran Ngoc Hung	Member
Ms Bui Tuong Anh	Member

MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr Le Hong Thang	General Director
Ms Nguyen Ha Ngoc Diep	Deputy General Director
Ms Nguyen Thi Thanh Huyen	Director of Administration

LEGAL REPRESENTATIVES

The legal representatives of the Company during the year and at the date of this report is Mr Le Hong Thang.

Ms Nguyen Ha Ngoc Diep is authorised by Mr Le Hong Thang to sign the accompanying financial statements for the year ended 31 December 2019 in accordance with the Letter of Authorisation No. 106-19/UQ-DT dated 1 August 2019.

AUDITORS

The auditor of the Company is Ernst & Young Vietnam Limited.

Duc Thanh Wood Processing Joint Stock Company

REPORT OF MANAGEMENT

Management of Duc Thanh Wood Processing Joint Stock Company ("the Company") is pleased to present this report and the financial statements of the Company for the year ended 31 December 2019.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the financial statements of each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and its cash flows for the year. In preparing those financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of financial statements.

For and on behalf of Management:



Nguyen Ha Ngoc Diep
Deputy General Director

Ho Chi Minh City, Vietnam

27 March 2020



Ernst & Young Vietnam Limited
20th Floor, Bitexco Financial Tower
2 Hai Trieu Street, District 1
Ho Chi Minh City, S.R. of Vietnam

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Reference: 61001277/21166283

INDEPENDENT AUDITORS' REPORT

To: **The Shareholders of Duc Thanh Wood Processing Joint Stock Company**

We have audited the accompanying financial statements of Duc Thanh Wood Processing Joint Stock Company ("the Company") as prepared on 27 March 2020 and set out on pages 5 to 28, which comprise the balance sheet as at 31 December 2019, and the income statement and the cash flow statement for the year then ended and the notes thereto.

Management's responsibility

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2019, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to preparation and presentation of financial statements.

Ernst & Young Vietnam Limited



Le Quang Minh
Deputy General Director
Audit Practicing Registration Certificate
No. 0426-2018-004-1

Duong Thi Nu
Auditor
Audit Practicing Registration Certificate
No. 3796-2016-004-1

Ho Chi Minh City, Vietnam

27 March 2020

Duc Thanh Wood Processing Joint Stock Company

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BALANCE SHEET
as at 31 December 2019

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		340,355,461,011	297,251,621,168
110	I. Cash	4	8,685,927,841	16,949,327,615
111	1. Cash		8,685,927,841	16,949,327,615
120	II. Short-term investment		217,063,528,219	157,700,000,000
123	1. Held- to-maturity investments	5	217,063,528,219	157,700,000,000
130	III. Current accounts receivable		27,267,267,406	40,950,025,233
131	1. Short-term trade receivables	6.1	21,477,863,145	33,594,980,819
132	2. Short-term advances to suppliers	6.2	656,254,292	3,113,099,658
136	3. Other short-term receivables	7	5,133,149,969	4,241,944,756
140	IV. Inventory	8	84,957,981,980	77,599,148,209
141	1. Inventories		84,957,981,980	77,599,148,209
150	V. Other current assets		2,380,755,565	4,053,120,111
151	1. Short-term prepaid expenses	11	927,720,774	465,644,983
152	2. Value-added tax deductible		1,453,034,791	3,587,475,128
200	B. NON-CURRENT ASSETS		47,024,203,773	46,631,988,235
210	I. Long-term receivable		150,000,000	255,689,179
216	1. Other long-term receivables	7	150,000,000	255,689,179
220	II. Fixed assets		42,359,174,487	43,463,256,367
221	1. Tangible fixed assets	9	31,346,541,404	32,159,200,464
222	Cost		88,576,447,934	85,219,924,519
223	Accumulated depreciation		(57,229,906,530)	(53,060,724,055)
227	2. Intangible fixed assets	10	11,012,633,083	11,304,055,903
228	Cost		15,193,114,013	15,193,114,013
229	Accumulated amortisation		(4,180,480,930)	(3,889,058,110)
260	III. Other long-term assets		4,515,029,286	2,913,042,689
261	1. Long-term prepaid expenses	11	3,823,283,087	2,217,878,431
262	2. Deferred tax assets	24.3	691,746,199	695,164,258
270	TOTAL ASSETS		387,379,664,784	343,883,609,403

BALANCE SHEET (continued)
as at 31 December 2019

VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		109,054,819,830	85,193,773,168
310	I. Current liabilities		105,545,440,663	81,617,514,418
311	1. Short-term trade payables	12.1	19,454,902,191	8,714,852,609
312	2. Short-term advances from customers	12.2	3,263,298,687	4,233,306,711
313	3. Statutory obligations	13	7,126,434,035	6,913,920,915
314	4. Payables to employees		4,208,898,725	15,896,670,311
315	5. Short-term accrued expenses	14	2,862,422,401	2,130,121,226
319	6. Other short-term payables	15	1,443,681,981	8,489,953,226
320	7. Short-term loan	16	60,365,034,000	27,541,530,600
322	8. Bonus and welfare fund	17	6,820,768,643	7,697,158,820
330	II. Non-current liabilities		3,509,379,167	3,576,258,750
337	1. Other long-term liabilities	15	3,500,000	244,040,000
342	2. Other long-term provisions	18	3,505,879,167	3,332,218,750
400	D. OWNERS' EQUITY		278,324,844,954	258,689,836,235
410	I. Capital	19.1	278,324,844,954	258,689,836,235
411	1. Share capital		171,369,680,000	163,941,760,000
411a	- Shares with voting rights		171,369,680,000	163,941,760,000
412	2. Share premium		6,039,317,006	6,034,317,006
415	3. Treasury shares		(2,224,850,000)	(1,151,600,000)
418	4. Investment and development fund		18,669,340,514	18,669,340,514
421	5. Undistributed earnings		84,471,357,434	71,196,018,715
421a	- Undistributed earnings by the end of prior year		45,642,944,215	38,623,685,607
421b	- Undistributed earnings of current year		38,828,413,219	32,572,333,108
440	TOTAL LIABILITIES AND OWNERS' EQUITY		387,379,664,784	343,883,609,403


Le Cong Tu
Preparer

Bui Phuong Thao
Chief AccountantNguyen Ha Ngoc Diep
Deputy General Director

27 March 2020

INCOME STATEMENT
for the year ended 31 December 2019

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods	20.1	345,633,977,802	392,848,907,745
02	2. Deductions	20.1	(3,788,043,414)	(3,014,676,675)
10	3. Net revenue from sale of goods	20.1	341,845,934,388	389,834,231,070
11	4. Cost of goods sold		(229,849,409,196)	(250,106,307,122)
20	5. Gross profit from sale of goods		111,996,525,192	139,727,923,948
21	6. Finance income	20.2	14,260,133,729	12,458,354,997
22	7. Finance expenses	21	(1,423,290,016)	(3,150,327,660)
23	<i>In which: Interest expenses</i>		(632,547,202)	(206,966,592)
25	8. Selling expenses	22	(16,978,182,425)	(16,923,181,608)
26	9. General and administrative expenses	22	(15,502,150,901)	(20,786,250,179)
30	10. Operating profit		92,353,035,579	111,326,519,498
31	11. Other income		539,897,933	1,206,205,853
32	12. Other expenses		(143,782,600)	(163,599,280)
40	13. Other profit		396,115,333	1,042,606,573
50	14. Accounting profit before tax		92,749,150,912	112,369,126,071
51	15. Current corporate income tax expense	24.2	(18,524,886,711)	(22,712,230,906)
52	16. Deferred tax (expense) income	24.3	(3,418,059)	47,818,943
60	17. Net profit after tax		74,220,846,142	89,704,714,108
70	18. Basic earnings per share	19.4	4,276	5,492
71	19. Diluted earnings per share	19.4	4,276	5,492



Le Cong Tu
Preparer



Bui Phuong Thao
Chief Accountant



Nguyen Ha Ngoc Diep
Deputy General Director

27 March 2020

CASH FLOW STATEMENT
for the year ended 31 December 2019

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Accounting profit before tax		92,749,150,912	112,369,126,071
	<i>Adjustments for:</i>			
02	Depreciation and amortisation of fixed assets	9, 10	4,693,481,225	4,465,061,765
03	Provisions		237,936,167	206,695,166
04	Foreign exchange (gains) losses arising from revaluation of monetary accounts denominated in monetary currency		(47,148,173)	143,602,540
05	Gain from investing activities		(13,813,574,412)	(11,780,480,671)
06	Interest expense	21	632,547,202	206,966,592
08	Operating profit before changes in working capital		84,452,392,921	105,610,971,463
09	Decrease (increase) in receivables		17,131,899,442	(8,231,544,979)
10	Increase in inventories		(7,358,833,771)	(18,275,860,322)
11	Decrease in payables		(1,205,896,425)	(7,891,948,730)
12	(Increase) decrease in prepaid expenses		(2,067,480,447)	66,602,457
14	Interest paid		(632,547,202)	(206,966,592)
15	Corporate income tax paid	13	(18,813,925,114)	(22,570,287,482)
17	Other cash outflows for operating activities		(2,425,082,850)	(1,871,319,940)
20	Net cash flows from operating activities		69,080,526,554	46,629,645,875
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase of fixed assets		(3,428,176,507)	(5,506,008,568)
22	Proceeds from disposals of fixed assets and other long-term assets		185,454,545	104,545,455
23	Term deposits at banks		(337,063,528,219)	(349,600,000,000)
24	Collections from bank deposits		277,700,000,000	398,000,000,000
27	Interest received		12,443,776,448	13,496,235,118
30	Net cash flows (used in) from investing activities		(50,162,473,733)	56,494,772,005

CASH FLOW STATEMENT (continued)
for the year ended 31 December 2019

VND

Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Capital contribution		-	7,427,920,000
32	Capital redemption		(1,073,250,000)	(465,750,000)
33	Drawdown of borrowings	16	86,630,914,500	61,537,784,000
34	Repayment of borrowings		(53,794,412,600)	(69,614,695,850)
36	Dividends paid	19.2	(58,991,441,150)	(85,822,006,550)
40	Net cash flows used in financing activities		(27,228,189,250)	(86,936,748,400)
50	Net (decrease) increase in cash for the year		(8,310,136,429)	16,187,669,480
60	Cash at beginning of year		16,949,327,615	742,782,268
61	Impact of exchange rate fluctuation		46,736,655	18,875,867
70	Cash at end of year	4	8,685,927,841	16,949,327,615



Le Cong Tu
Preparer



Bui Phuong Thao
Chief Accountant



Nguyen Ha Ngoc Diep
Deputy General Director

27 March 2020

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2019 and for the year then ended

1. CORPORATE INFORMATION

Duc Thanh Wood Processing Joint Stock Company ("the Company") is a shareholding company incorporated under the Law on Enterprise of Vietnam pursuant to the Business Registration Certificate No. 4103000126 issued by the Department of Planning and Investment of Ho Chi Minh City on 8 August 2000, as amended.

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The current principal activities of the Company are to manufacture and trade wooden products.

The Company's registered head office is located at No. 21/6D, Phan Huy Ich Street, Ward 14, Go Vap District, Ho Chi Minh City, Vietnam. The Company also has one (1) branch located at Tan Hiep 49 Street, Tan Hoi Quarter, Tan Hiep Ward, Tan Uyen Town, Binh Duong Province, Vietnam; and one (1) showroom located at 216 Ly Tu Trong Street, Ward Ben Thanh, District 1, Ho Chi Minh City, Vietnam.

The number of the Company's employees as at 31 December 2019 is 948 (31 December 2018: 894).

2. BASIS OF PREPARATION

2.1 *Accounting standards and system*

The financial statements of the Company expressed in Vietnam dong ("VND"), are prepared in accordance with Vietnamese Enterprise Accounting System and Vietnamese Accounting Standards issued by the Ministry of Finance as per:

- Decision No. 149/2001/QD-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QD-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QD-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QD-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QD-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2 *Applied accounting documentation system*

The Company's applied accounting documentation system is the General Journal system.

2.3 *Fiscal year*

The Company's fiscal year applicable for the preparation of its financial statements starts on 1 January and ends on 31 December.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

2. BASIS OF PREPARATION (continued)

2.4 Accounting currency

The financial statements are prepared in VND which is also the Company's accounting currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash

Cash comprises cash on hand and cash in banks.

3.2 Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value ("NRV") represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials	- cost of purchase on a weighted average basis.
Finished goods and work-in process	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company, based on appropriate evidence of impairment available at the balance sheet date.

Increases or decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

3.3 Receivables

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, after the provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. Increases or decreases to the provision balance are recorded as general and administrative expense in the income statement.

3.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Intangible fixed assets*

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use.

Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the income statement.

Land use rights

Land use rights are recorded as intangible fixed assets representing the value of the right to use the lands acquired by the Company. The costs of land use rights comprise all directly attributable costs of bringing the land to the condition available for use. Accordingly, the land use right with definite useful lives is amortised over term while the land use right with indefinite useful lives is not amortised.

3.6 *Depreciation and amortisation*

Depreciation of tangible fixed assets and amortisation of intangible fixed assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	5 – 28 years
Machinery and equipment	3 – 15 years
Means of transportation	5 – 11 years
Office equipment	3 – 9 years
Land use rights	40 – 50 years
Computer software	3 – 5 years

3.7 *Borrowing costs*

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.8 *Prepaid expenses*

Prepaid expenses are reported as short-term or long-term prepaid expenses on the balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

Prepaid land rental

The prepaid land rental represents the unamortised balance of advance payment made in accordance with the lease contract signed with Industry Investment and Development Company on 19 May 2008 for a period of 44 years at My Phuoc 3 Industrial Zone. Such prepaid rental is recognised as long-term prepaid expenses for allocation to the income statement over the remaining lease period, according to Circular No.45/2013/TT-BTC providing guideline of the use and calculation of depreciation and amortisation of tangible fixed assets and intangible fixed assets dated 25 April 2013 issued the Ministry of Finance.

3.9 *Held-to-maturity investments*

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as expense in the financial statements and deducted against the value of such investments.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

3.11 Accrual for severance pay

The severance pay to employee is accrued at the end of each reporting period 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 monthly salary of the 6-month period up to the reporting date. Increases or decreases to the accrued amount other than actual payment to employee will be taken to the income statement.

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

3.12 Foreign currency transactions

Transactions in currencies other than the Company's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- ▶ Transaction resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection; and
- ▶ Transactions resulting in liabilities are recorded at the selling exchange rates of the transaction of commercial banks designated for payment.

At the end of the period, monetary balances denominated in foreign currencies are translated at the actual transaction exchange rates at the balance sheet dates which are determined as follows:

- ▶ Monetary assets are translated at buying exchange rate of the commercial bank where the Company conduct transactions regularly; and
- ▶ Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company conduct transactions regularly.

All exchange differences incurred during the year and arising from the revaluation of monetary accounts denominated in foreign currency at the year-end are taken to the income statement.

3.13 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

3.14 Appropriation of net profits

Net profit after tax (excluding negative goodwill arising from a bargain purchase) is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Company maintains the following reserve funds which are appropriated from the Company's net profit as proposed by the Board of Directors and subject to approval by shareholders at the annual general meeting:

Investment and development fund

This fund is set aside for use in the Company's expansion of its operation or of in-depth investment.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Appropriation of net profits (continued)

Bonus and welfare fund

This 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 balance sheet.

3.15 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit after tax or loss for the year attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

3.17 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the balance sheet date.

Current income tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company to offset current tax assets against current tax liabilities and when the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 *Taxation* (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted at the balance sheet date.

Deferred tax is charged or credited to the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

3.18. *Segment information*

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

The current principal activities of the Company are to manufacture and trade wooden products. In addition, these activities are being taken place within Vietnam. Therefore, the Company's risks and returns are not impacted by the Company's products that the Company is manufacturing or the locations where the Company is trading. As a result, the Company's management are of the view that there is only one segment for business – wooden products and geography - Vietnam and therefore separate segmental information is not required.

3.19 *Related parties*

Parties are considered to be related parties of the Company if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, or when the Company and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

4. CASH

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	75,266,457	186,910,301
Cash in banks	<u>8,610,661,384</u>	<u>16,762,417,314</u>
TOTAL	<u>8,685,927,841</u>	<u>16,949,327,615</u>

5. HELD-TO-MATURITY INVESTMENTS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Term deposits (i)	204,563,528,219	157,700,000,000
Bond	12,500,000,000	-
<i>Ho Chi Minh City Infrastructure Investment</i>		
<i>Joint Stock Company (ii)</i>	7,000,000,000	-
<i>HDB Securities Joint Stock Company (iii)</i>	<u>5,500,000,000</u>	<u>-</u>
TOTAL	<u>217,063,528,219</u>	<u>157,700,000,000</u>

(i) This represented for the short-term deposits at commercial banks with the original maturities of more than three (3) months and less than twelve (12) months and earn interest at the rate ranging from 6.8% p.a. to 8.25% p.a.

Bank deposits amounting to VND 69,200,000,000 were pledged as collateral for short-term loan at Kien Long Commercial Joint Stock Bank - Sai Gon branch (*Note 16*).

(ii) This represented for bond at Ho Chi Minh City Infrastructure Investment Joint Stock Company with the original maturities of six (6) months and earn interest rate at 9.5% p.a.

(iii) This represented for bond at HDB Securities Joint Stock Company with the original maturities of six (6) months and earn interest rate at 8.5% p.a.

6. SHORT-TERM TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

6.1 *Short-term trade receivables*

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Nitori Vietnam Co., Ltd	3,906,830,316	6,780,787,641
MM Mega Market (Vietnam) Co., Ltd	1,848,120,340	1,804,900,559
Asung Vietnam Co., Ltd	1,559,862,010	4,845,280,767
Others	<u>14,163,050,479</u>	<u>20,164,011,852</u>
TOTAL	<u>21,477,863,145</u>	<u>33,594,980,819</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

6. SHORT-TERM TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS (continued)

6.2 Short-term advances to suppliers

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Binh Duong Water - Environment JSC - Di An Water Treatment Branch	551,906,361	-
Hoang Cam Tu Trading Service Co., Ltd	-	598,791,510
Thu Dau Mot Water Treatment Factory	-	519,605,000
Hung Vuong Insurance Corporation	-	441,539,600
Others	104,347,931	1,553,163,548
TOTAL	<u>656,254,292</u>	<u>3,113,099,658</u>

7. OTHER RECEIVABLES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term	5,133,149,969	4,241,944,756
Accrued interest income	4,353,410,548	3,144,809,967
Advances to employees	546,459,906	763,091,542
Others	233,279,515	334,043,247
Long-term	150,000,000	255,689,179
Deposits	150,000,000	150,000,000
Others	-	105,689,179
TOTAL	<u>5,283,149,969</u>	<u>4,497,633,935</u>

8. INVENTORIES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Raw materials	49,639,924,345	50,490,462,082
Finished goods	24,485,797,275	16,891,696,844
Work in process	10,395,707,171	9,829,770,975
Tools and supplies	436,553,189	387,218,308
TOTAL	<u>84,957,981,980</u>	<u>77,599,148,209</u>

Duc Thanh Wood Processing Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

9. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	VND Total
Cost:					
Beginning balance	40,515,159,785	34,027,298,378	8,271,142,090	2,406,324,266	85,219,924,519
New purchase	-	2,696,413,427	568,940,000	348,303,080	3,613,656,507
Disposal	(90,144,000)	(77,794,546)	-	(89,194,546)	(257,133,092)
Ending balance	40,425,015,785	36,645,917,259	8,840,082,090	2,665,432,800	88,576,447,934
<i>In which:</i>					
Fully depreciated	1,412,873,025	25,468,907,418	1,602,456,909	1,275,760,757	29,759,998,109
Accumulated depreciation:					
Beginning balance	(19,761,740,925)	(28,432,527,144)	(3,557,515,800)	(1,308,940,186)	(53,060,724,055)
Depreciation for the year	(1,908,224,777)	(1,331,933,147)	(1,004,782,037)	(157,118,444)	(4,402,058,405)
Disposal	79,658,644	68,977,951	-	84,239,335	232,875,930
Ending balance	(21,590,307,058)	(29,695,482,340)	(4,562,297,837)	(1,381,819,295)	(57,229,906,530)
Net carrying amount:					
Beginning balance	20,753,418,860	5,594,771,234	4,713,626,290	1,097,384,080	32,159,200,464
Ending balance	18,834,708,727	6,950,434,919	4,277,784,253	1,283,613,505	31,346,541,404

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

10. INTANGIBLE FIXED ASSETS

	<i>Land use rights</i>	<i>Computer software</i>	<i>VND Total</i>
Cost:			
Beginning and ending balances	<u>14,917,549,433</u>	<u>275,564,580</u>	<u>15,193,114,013</u>
<i>In which:</i>			
Fully depreciated	-	101,564,580	101,564,580
Accumulated amortisation:			
Beginning balance	(3,709,253,530)	(179,804,580)	(3,889,058,110)
Amortisation for the year	<u>(253,262,820)</u>	<u>(38,160,000)</u>	<u>(291,422,820)</u>
Ending balance	<u>(3,962,516,350)</u>	<u>(217,964,580)</u>	<u>(4,180,480,930)</u>
Net carrying amount:			
Beginning balance	<u>11,208,295,903</u>	<u>95,760,000</u>	<u>11,304,055,903</u>
Ending balance	<u>10,955,033,083</u>	<u>57,600,000</u>	<u>11,012,633,083</u>

11. PREPAID EXPENSES

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term	927,720,774	465,644,983
Tools and supplies	927,720,774	465,644,983
Long-term	3,823,283,087	2,217,878,431
Tools and supplies	2,270,189,816	782,818,252
Prepaid land rental	1,329,632,696	1,364,561,864
Others	<u>223,460,575</u>	<u>70,498,315</u>
TOTAL	<u>4,751,003,861</u>	<u>2,683,523,414</u>

12. SHORT-TERM TRADE PAYABLES AND ADVANCE FROM CUSTOMERS**12.1 Short-term trade payables**

	<i>VND</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>
Phuc Nguyen Khang Wood Production Trading Company Limited	2,550,884,380	1,389,954,555
Hoang Cam Tu Service Trading Co., Ltd	2,079,640,200	-
Manh Cuong Phat Co., Ltd	1,686,634,950	-
Xuan Truong Trading Service Export Import Co., Ltd	1,569,622,120	1,016,925,415
Others	<u>11,568,120,541</u>	<u>6,307,972,639</u>
TOTAL	<u>19,454,902,191</u>	<u>8,714,852,609</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

12. SHORT-TERM TRADE PAYABLES AND ADVANCE FROM CUSTOMERS (continued)

12.2 Short-term advance from customers

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Dong Yang International Co., Ltd	519,794,649	2,364,787
Fair Friends Co., Ltd	320,131,566	-
Le Comptoir De Mathilde	122,187,875	1,975,295,196
H1 Global Co., Ltd	-	679,107,180
Others	2,301,184,597	1,576,539,548
TOTAL	<u>3,263,298,687</u>	<u>4,233,306,711</u>

13. STATUTORY OBLIGATIONS

	VND			
	<i>Beginning balance</i>	<i>Increase in the year</i>	<i>Decrease in the year</i>	<i>Ending balance</i>
Corporate income tax	5,890,440,710	18,524,886,711	(18,813,925,114)	5,601,402,307
Personal income tax	1,023,480,205	3,365,025,380	(2,863,707,571)	1,524,798,014
Value-added tax	-	7,896,645,199	(7,896,411,485)	233,714
Others	-	71,666,666	(71,666,666)	-
TOTAL	<u>6,913,920,915</u>	<u>29,858,223,956</u>	<u>(29,645,710,836)</u>	<u>7,126,434,035</u>

14. SHORT-TERM ACCRUED EXPENSES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Annual leave	2,478,409,000	1,774,210,000
Expenses for external services	365,438,856	315,607,522
Others	18,574,545	40,303,704
TOTAL	<u>2,862,422,401</u>	<u>2,130,121,226</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

15. OTHER PAYABLES

	VND	
	Ending balance	Beginning balance
Short-term	1,443,681,981	8,489,953,226
Collection from employees from "Issuance of shares to employees under Employee Share Option Program"	-	7,427,920,000
Social, health and unemployment insurance, and trade union	373,279,509	322,421,909
Dividend payables	240,483,800	199,058,500
Others	829,918,672	540,552,817
Long-term	3,500,000	244,040,000
Deposits	3,500,000	244,040,000
TOTAL	<u>1,447,181,981</u>	<u>8,733,993,226</u>

16. SHORT-TERM LOAN

	VND			
	Beginning balance	Increase in the year	Decrease in the year	Ending balance
Loan from a bank	<u>27,541,530,600</u>	<u>86,630,914,500</u>	<u>(53,807,411,100)</u>	<u>60,365,034,000</u>

Details of the short-term bank loan to finance working capital are as follows:

Bank	Ending balance (VND)	Original amount (USD)	Maturity date	Interest (% p.a.)	Description of collateral
Kien Long Commercial Joint Stock Bank – Sai Gon Branch	<u>60,365,034,000</u>	<u>2,599,700</u>	From 24 January 2020 to 26 August 2020	1.5%	Bank deposits (Note 5)

17. BONUS AND WELFARE FUNDS

	VND	
	Current year	Previous year
Beginning balance	7,697,158,820	9,498,320,260
Increase during the year	1,484,416,923	-
Decrease during the year	<u>(2,360,807,100)</u>	<u>(1,801,161,440)</u>
Ending balance	<u>6,820,768,643</u>	<u>7,697,158,820</u>

18. LONG-TERM PROVISION

Long-term provision represents severance allowance pay to employees.

Duc Thanh Wood Processing Joint Stock Company

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

19. OWNERS' EQUITY

19.1 Movements in owners' equity

	Share capital	Share premium	Treasury shares	Investment and development fund	Undistributed earnings	Total
Previous year						
Beginning balance	149,094,600,000	6,064,317,006	(685,850,000)	18,669,340,514	83,182,545,607	256,324,953,127
Net profit for the year	-	-	-	-	89,704,714,108	89,704,714,108
Dividend declared	-	-	-	-	(86,844,081,000)	(86,844,081,000)
Stock dividends	14,847,160,000	-	-	-	(14,847,160,000)	-
Treasury shares redemption	-	-	(465,750,000)	-	-	(465,750,000)
Other decrease	-	(30,000,000)	-	-	-	(30,000,000)
Ending balance	<u>163,941,760,000</u>	<u>6,034,317,006</u>	<u>(1,151,600,000)</u>	<u>18,669,340,514</u>	<u>71,196,018,715</u>	<u>258,689,836,235</u>
Current year						
Beginning balance	163,941,760,000	6,034,317,006	(1,151,600,000)	18,669,340,514	71,196,018,715	258,689,836,235
Net profit for the year	-	-	-	-	74,220,846,142	74,220,846,142
Dividend declared (*)	-	-	-	-	(59,461,090,500)	(59,461,090,500)
Appropriated to bonus and welfare funds	-	-	-	-	(1,484,416,923)	(1,484,416,923)
Issuance of shares to employees (**)	7,427,920,000	-	-	-	-	7,427,920,000
Treasury shares redemption	-	-	(1,073,250,000)	-	-	(1,073,250,000)
Other increase	-	5,000,000	-	-	-	5,000,000
Ending balance	<u>171,369,680,000</u>	<u>6,039,317,006</u>	<u>(2,224,850,000)</u>	<u>18,669,340,514</u>	<u>84,471,357,434</u>	<u>278,324,844,954</u>

VND

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

19. OWNERS' EQUITY (continued)

19.1 Movements in owners' equity (continued)

(*) In accordance with Shareholders' Resolution No. 01-19/NQ-ĐHĐCĐ GDT dated 30 March 2019, the Board of Directors' Resolution No. 34-19/QĐ-ĐT dated 12 April 2019 and the Board of Directors' Decision No. 136-19/QĐ-ĐT dated 5 November 2019, the Company was approved to pay dividends of 2018 and pay the first advance dividends of 2019 by cash at 15% and 20% par value, respectively.

(**) On 5 January 2019, the Company newly issued an aggregate of 742,792 ordinary shares to its employees in accordance with Employee Stock Ownership Plan program in accordance with the approved Shareholders' Resolution No. 01-18/NQ-ĐHĐCĐ GDT dated 21 April 2018 and the Resolution of the Board of Directors No. 5a-18/NQ-DT dated 27 October 2018. The aforementioned transactions were approved by the Department of Planning and Investment of Ho Chi Minh City according to the 24th amended Enterprise Registration Certificate dated 18 January 2019.

19.2 Capital transactions with owners and distribution of dividends

	VND	
	Current year	Previous year
Contributed capital		
Beginning balance	163,941,760,000	149,094,600,000
Increase	<u>7,427,920,000</u>	<u>14,847,160,000</u>
Ending balance	<u>171,369,680,000</u>	<u>163,941,760,000</u>
Dividends declared		
Dividends declared	59,461,090,500	101,691,241,000
Dividends paid by cash	58,991,441,150	85,822,006,550
Stock dividends	-	14,847,160,000

19.3 Ordinary shares

	Ending balance	Beginning balance
	Number of shares	Number of shares
Shares authorised to be issued	17,136,968	16,394,176
Shares issued and fully paid <i>Ordinary shares</i>	17,136,968	16,394,176
Shares are redeemed (treasury shares) <i>Ordinary shares</i>	(182,960)	(83,010)
Shares in circulation <i>Ordinary shares</i>	16,954,008	16,311,166

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

19. OWNERS' EQUITY (continued)

19.4 Earnings per share

Basic and diluted earnings per share are calculated as follows:

	<i>Current year</i>	<i>Previous year</i>
		VND
Net profit after tax attributable to ordinary shareholders for basic earnings	74,220,846,142	89,704,714,108
Distribution to bonus and welfare fund (*)	<u>(1,484,416,923)</u>	<u>-</u>
Net profit after tax attributable to ordinary shareholders for basic earnings	72,736,429,219	89,704,714,108
Weighted average number of ordinary shares for basic earnings per share (**)	17,011,883	16,332,324
Basic and diluted earnings per share (VND/share)	4,276	5,492

(*) Net profit used to compute earnings per share for the year ended 31 December 2019 was adjusted for distribution to Bonus and welfare fund from 2019 profit after tax based on Annual General Meeting Resolution dated 30 March 2019.

There have been no dilutive potential ordinary shares during the year and up to the date of these financial statements.

20. REVENUES

20.1 Revenue from sale of goods

	<i>Current year</i>	<i>Previous year</i>
		VND
Gross revenue	345,633,977,802	392,848,907,745
<i>Of which:</i>		
<i>Sale of finished goods</i>	340,676,833,247	387,048,249,044
<i>Sale of scraps</i>	4,957,144,555	5,800,658,701
Deductions	(3,788,043,414)	(3,014,676,675)
<i>Sales discounts</i>	(2,489,821,517)	(2,211,162,059)
<i>Sales returns</i>	<u>(1,298,221,897)</u>	<u>(803,514,616)</u>
Net revenue	<u>341,845,934,388</u>	<u>389,834,231,070</u>
<i>In which:</i>		
<i>Sale of finished goods</i>	336,888,789,833	384,033,572,369
<i>Sale of scraps</i>	4,957,144,555	5,800,658,701

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

20. REVENUES (continued)

20.2 Finance income

	VND	
	<i>Current year</i>	<i>Previous year</i>
Bank deposit interest	13,652,377,029	11,675,935,216
Foreign exchange difference gains	520,451,100	748,285,105
Others	87,305,600	34,134,676
TOTAL	<u>14,260,133,729</u>	<u>12,458,354,997</u>

21. FINANCE EXPENSES

	VND	
	<i>Current year</i>	<i>Previous year</i>
Interest expenses	632,547,202	206,966,592
Foreign exchange losses	227,226,724	458,479,953
Others	563,516,090	2,484,881,115
TOTAL	<u>1,423,290,016</u>	<u>3,150,327,660</u>

22. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	<i>Current year</i>	<i>Previous year</i>
Selling expenses	16,978,182,425	16,923,181,608
- External service cost	10,502,368,081	10,177,086,604
- Labour cost	5,898,502,800	6,248,051,572
- Depreciation and amortisation of fixed assets	95,618,462	43,104,732
- Others	481,693,082	454,938,700
General and administrative expenses	15,502,150,901	20,786,250,179
- Labour cost	11,513,820,692	16,392,487,888
- External service cost	1,300,095,740	1,187,895,875
- Depreciation and amortisation of fixed assets	610,256,220	669,667,979
- Tools and supplies	553,517,303	542,047,109
- Others	1,524,460,946	1,994,151,328
TOTAL	<u>32,480,333,326</u>	<u>37,709,431,787</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

23. PRODUCTION AND OPERATING COSTS

	VND	
	<i>Current year</i>	<i>Previous year</i>
Labour cost	122,630,094,317	129,100,054,468
Raw materials, tools and supplies	119,357,953,542	136,197,491,541
External service cost	21,892,447,552	22,096,083,722
Depreciation and amortisation of fixed assets (Note 9 and Note 10)	4,693,481,225	4,465,061,765
Others	1,915,802,513	2,156,490,472
TOTAL	<u>270,489,779,149</u>	<u>294,015,181,968</u>

24. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") rate applicable to the Company is 20% of taxable income.

The Company's tax returns are subject to examination by the tax authorities. As the application of tax laws and regulations are susceptible to varying interpretations, the amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

24.1 CIT expense

	VND	
	<i>Current year</i>	<i>Previous year</i>
Current CIT expense	18,524,886,711	22,712,230,906
Deferred tax expense (income)	3,418,059	(47,818,943)
TOTAL	<u>18,528,304,770</u>	<u>22,664,411,963</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

24. CORPORATE INCOME TAX (continued)

24.2 Current tax

The current CIT payable is based on taxable profit for the current year. The taxable income of the Company for the year differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

Reconciliation between the accounting profit before tax and taxable profit is presented below:

	VND	
	Current year	Previous year
Accounting profit before tax	92,749,150,912	112,369,126,071
<i>Adjustments:</i>		
Non-deductible expense	254,622,938	1,427,183,746
Change in accrual for severance pay	173,660,417	136,536,666
Foreign exchange differences	(190,750,713)	102,558,049
Estimated current taxable profit	92,986,683,554	114,035,404,532
Current CIT at rate of 20%	18,597,336,711	22,807,080,906
Expenditure for female workers	(72,450,000)	(94,850,000)
Current CIT expense	18,524,886,711	22,712,230,906

24.3 Deferred tax

The following are deferred tax assets recognised by the Company, and the movements thereon, during the current and previous years:

	VND			
	<i>Balance sheet</i>		<i>Income statement</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>
Severance allowance	701,175,832	666,443,749	34,732,083	27,307,332
Foreign exchange differences arising from revaluation of monetary accounts	(9,429,633)	28,720,509	(38,150,142)	20,511,611
Deferred tax assets	691,746,199	695,164,258		
Deferred tax (expense) income			(3,418,059)	47,818,943

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

25. TRANSACTIONS WITH RELATED PARTIES

Other transactions with related parties

Remuneration to members of the Board of Directors, Board of Supervision and Management:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Salaries and bonus	<u>2,342,590,000</u>	<u>6,452,604,537</u>

26. OPERATING LEASE COMMITMENTS

The Company leases land and showroom under an operating lease arrangement. The minimum lease commitment as at the balance sheet dates under the operating lease agreements are as follows:

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Less than 1 year	622,245,048	628,256,909
From 1 to 5 years	111,225,240	741,284,544
Over 5 years	<u>689,596,488</u>	<u>918,349,537</u>
TOTAL	<u>1,423,066,776</u>	<u>2,287,890,990</u>

27. OFF BALANCE SHEET ITEM

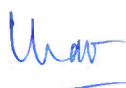
	<i>Ending balance</i>	<i>Beginning balance</i>
Foreign currency - United States dollar (USD)	347,371.03	243,835.21
Foreign currency - Japanese Yen (JPY)	32,313	34,128

28. EVENTS AFTER THE BALANCE SHEET DATE

There is no matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the financial statements of the Company.



Le Cong Tu
Preparer



Bui Phuong Thao
Chief Accountant



Nguyen Ha Ngoc Diep
Deputy General Director

27 March 2020