



**TNG INVESTMENT AND TRADING JOINT STOCK  
COMPANY**

*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED FINANCIAL  
STATEMENTS**

**For the year ended 31 December 2018**



**TNG INVESTMENT AND TRADING JOINT STOCK COMPANY**

No. 434/1 Bac Kan Street, Hoang Van Thu district,  
Thai Nguyen City, Thai Nguyen Province, Vietnam

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**TNG INVESTMENT AND TRADING JOINT STOCK COMPANY**

No. 434/1 Bac Kan Street, Hoang Van Thu district,  
Thai Nguyen City, Thai Nguyen Province, Vietnam

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**STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS**

The Board of Executive Officers of TNG Investment and Trading Joint Stock Company (the "Company") presents this report together with the Company's financial statements for the year ended 31 December 2018.

**THE BOARDS OF DIRECTORS AND EXECUTIVE OFFICERS**

The members of the Boards of Directors and Executive Officers of the Company who held office during the year and to the date of this report are as follows:

**Board of Directors**

Mr. Nguyen Van Thoi	Chairman
Mr. Nguyen Duc Manh	Member
Mr. Rusdy Pranata	Member
Mr. Nguyen Van Duc	Member
Ms. Do Thi Ha	Member
Ms. Ha Thi Tuyet	Member
Mr. Le Quang Vinh	Member

**Board of Executive Officers**

Mr. Nguyen Van Thoi	Chief Executive Officer
Mr. Nguyen Duc Manh	Deputy Chief Executive Officer
Mr. Tran Minh Hieu	Deputy Chief Executive Officer
Ms. Luong Thi Thuy Ha	Deputy Chief Executive Officer
Ms. Doan Thi Thu	Deputy Chief Executive Officer
Mr. Luu Duc Huy	Deputy Chief Executive Officer (Appointed on 11 January 2019)

**BOARD OF EXECUTIVE OFFICERS' STATEMENT OF RESPONSIBILITY**

The Board of Executive Officers of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Executive Officers 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

**TNG INVESTMENT AND TRADING JOINT STOCK COMPANY**

No. 434/1 Bac Kan Street, Hoang Van Thu district,  
Thai Nguyen City, Thai Nguyen Province, Vietnam

**STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS (Continued)**

The Board of Executive Officers 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 that the financial statements comply with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Executive Officers is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Executive Officers,

**Luong Thi Thuy Ha**  
**Deputy Chief Executive Officer**

*Thai Nguyen, 25 March 2019*

The Board of Directors approved the accompanying financial statements, which present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

For and on behalf of the Board of Directors,



**Nguyen Van Thoi**  
**Chairman**

*Thai Nguyen, 25 March 2019*

No.: 722 /VN1A-HN-BC

## INDEPENDENT AUDITORS' REPORT

**To: The Shareholders  
The Board of Directors and Board of Executive Officers  
TNG Investment and Trading Joint Stock Company**

We have audited the accompanying financial statements of TNG Investment and Trading Joint Stock Company (the "Company"), prepared on 25 March 2019 as set out from page 05 to page 31, which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***The Board of Executive Officers' Responsibility for the financial statements***

The Board of Executive Officers is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as the Board of Executive Officers determines is necessary to enable the preparation of 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 auditors consider 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 the Board of Executive Officers, 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.

**INDEPENDENT AUDITORS' REPORT (Continued)**

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



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**Tran Thi Thuy Ngoc**  
**Deputy General Director**  
Audit Practising Registration Certificate  
No. 0031-2018-001-1

**DELOITTE VIETNAM COMPANY LIMITED**

25 March 2019  
Hanoi, S.R. Vietnam

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**Nguyen Tien Quoc**  
**Auditor**  
Audit Practising Registration Certificate  
No. 3008-2019-001-1

## BALANCE SHEET

As at 31 December 2018

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>1,374,586,811,751</b>	<b>1,110,697,005,651</b>
<b>I. Cash</b>	<b>110</b>		<b>12,701,137,291</b>	<b>10,283,349,259</b>
1. Cash	111	4	12,701,137,291	10,283,349,259
<b>II. Short-term receivables</b>	<b>130</b>		<b>478,042,278,651</b>	<b>432,387,513,494</b>
1. Short-term trade receivables	131	5	455,673,608,806	405,986,523,142
2. Short-term advances to suppliers	132		5,888,734,884	4,554,689,242
3. Other short-term receivables	136	6	21,625,870,932	26,992,237,081
4. Provision for short-term doubtful debts	137	7	(5,145,935,971)	(5,145,935,971)
<b>III. Inventories</b>	<b>140</b>	<b>8</b>	<b>822,431,006,423</b>	<b>611,110,170,108</b>
1. Inventories	141		828,074,058,827	616,509,903,586
2. Provision for devaluation of inventories	149		(5,643,052,404)	(5,399,733,478)
<b>IV. Other short-term assets</b>	<b>150</b>		<b>61,412,389,386</b>	<b>56,915,972,790</b>
1. Short-term prepayments	151	9	22,546,133,628	20,890,658,695
2. Value added tax deductibles	152		38,866,255,758	36,025,314,095
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>1,220,848,391,443</b>	<b>1,114,992,625,228</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>18,829,818,987</b>	<b>6,672,589,930</b>
1. Long-term loans receivable	215		-	542,390,000
2. Other long-term receivables	216	6	18,829,818,987	6,130,199,930
<b>II. Fixed assets</b>	<b>220</b>		<b>979,180,489,301</b>	<b>909,349,386,788</b>
1. Tangible fixed assets	221	10	957,762,517,201	897,980,451,382
- Cost	222		1,537,420,060,468	1,386,187,307,926
- Accumulated depreciation	223		(579,657,543,267)	(488,206,856,544)
2. Intangible assets	227	11	21,417,972,100	11,368,935,406
- Cost	228		35,365,206,274	23,193,818,261
- Accumulated amortisation	229		(13,947,234,174)	(11,824,882,855)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>131,895,136,874</b>	<b>122,954,031,628</b>
1. Long-term construction in progress	242	12	131,895,136,874	122,954,031,628
<b>IV. Long-term financial investments</b>	<b>250</b>	<b>13</b>	<b>-</b>	<b>-</b>
1. Investments in joint-ventures, associates	252		771,150,000	771,150,000
2. Provision for impairment of long-term financial investments	254		(771,150,000)	(771,150,000)
<b>V. Other long-term assets</b>	<b>260</b>		<b>90,942,946,281</b>	<b>76,016,616,882</b>
1. Long-term prepayments	261	9	90,942,946,281	76,016,616,882
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>2,595,435,203,194</b>	<b>2,225,689,630,879</b>

The accompanying notes are an integral part of these financial statements

**BALANCE SHEET (Continued)**

As at 31 December 2018

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>1,801,370,803,699</b>	<b>1,596,422,283,808</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>1,372,729,685,399</b>	<b>1,320,951,685,906</b>
1. Short-term trade payables	311	14	219,466,182,042	175,287,129,041
2. Short-term advances from customers	312		1,975,497,747	4,361,436,454
3. Taxes and amounts payable to the State budget	313	15	16,450,848,035	9,329,511,058
4. Payables to employees	314		49,937,186,172	32,780,283,826
5. Short-term accrued expenses	315	16	25,218,209,079	15,533,916,276
6. Other current payables	319		19,393,601,950	4,929,005,267
7. Short-term loans	320	17	1,030,865,689,212	1,074,965,291,436
8. Bonus and welfare funds	322		9,422,471,162	3,765,112,548
<b>II. Long-term liabilities</b>	<b>330</b>		<b>428,641,118,300</b>	<b>275,470,597,902</b>
1. Long-term loans	338	18	228,641,118,300	275,470,597,902
2. Convertible bonds	339	19	200,000,000,000	-
<b>D. EQUITY</b>	<b>400</b>		<b>794,064,399,495</b>	<b>629,267,347,071</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>20</b>	<b>794,064,399,495</b>	<b>629,267,347,071</b>
1. Owner's contributed capital	411		493,401,800,000	411,172,910,000
2. Share premium	412		30,520,475,123	30,575,475,123
3. Other owner's capital	414		55,419,591	55,419,591
4. Investment and development fund	418		56,825,661,884	50,955,069,016
5. Other reserves	420		32,988,054,755	21,486,544,468
6. Retained earnings	421		180,272,988,142	115,021,928,873
- Retained earnings accumulated to the prior year end	421a		12,518,001	6,826,000
- Retained earnings of the current year	421b		180,260,470,141	115,015,102,873
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>2,595,435,203,194</b>	<b>2,225,689,630,879</b>

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**Ta Thi Thu Huong**  
Preparer

**Tran Thi Thu Ha**  
Chief Accountant

**Luong Thi Thuy Ha**  
Deputy Chief Executive Officer

25 March 2019



**INCOME STATEMENT**

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>	<b>23</b>	<b>3,612,896,996,945</b>	<b>2,491,018,919,278</b>
2. Deductions	02	23	-	2,412,086,267
<b>3. Net revenue from goods sold and services rendered (10=01-02)</b>	<b>10</b>		<b>3,612,896,996,945</b>	<b>2,488,606,833,011</b>
4. Cost of sales	11	24	2,971,920,362,309	2,051,587,528,016
<b>5. Gross profit from goods sold and services rendered (20=10-11)</b>	<b>20</b>		<b>640,976,634,636</b>	<b>437,019,304,995</b>
6. Financial income	21	26	27,707,563,015	14,343,222,470
7. Financial expenses	22	27	136,193,181,773	90,057,848,420
- In which: Interest expense	23		91,500,188,015	73,972,440,896
8. Selling expenses	25	28	101,799,838,830	67,269,479,439
9. General and administration expenses	26	28	211,464,161,901	149,709,542,756
<b>10. Operating profit (30=20+(21-22)-(25+26))</b>	<b>30</b>		<b>219,227,015,147</b>	<b>144,325,656,850</b>
11. Other income	31		580,054,552	1,899,590,061
12. Other expenses	32	29	5,500,050,380	9,564,745,955
<b>13. Losses from other activities (40=31-32)</b>	<b>40</b>		<b>(4,919,995,828)</b>	<b>(7,665,155,894)</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>214,307,019,319</b>	<b>136,660,500,956</b>
15. Current corporate income tax expense	51	30	34,046,549,178	21,645,398,083
<b>16. Net profit after corporate income tax (60=50-51)</b>	<b>60</b>		<b>180,260,470,141</b>	<b>115,015,102,873</b>
17. Basic earnings per share	70	31	3,653	2,019
18. Diluted earnings per share	71	31	3,604	2,019

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**Ta Thi Thu Huong**  
Preparer

**Tran Thi Thu Ha**  
Chief Accountant

**Luong Thi Thuy Ha**  
Deputy Chief Executive Officer

25 March 2019

## CASH FLOW STATEMENT

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	214,307,019,319	136,660,500,956
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	112,871,622,161	101,818,473,252
Provisions	03	243,318,926	68,277,439
Foreign exchange losses arising from translating foreign currency items	04	1,137,446,167	461,802,835
Losses from investing activities	05	1,993,936,854	766,700,318
Interest expense	06	91,500,188,015	73,972,440,896
3. Operating profit before movements in working capital	08	422,053,531,442	313,748,195,696
Increases in receivables	09	(58,786,469,695)	(160,294,329,433)
Increases in inventories	10	(211,564,155,241)	(165,732,171,621)
Increases in payables (excluding accrued loan interest and corporate income tax payable)	11	102,461,812,271	64,056,460,238
Increases in prepaid expenses	12	(16,581,804,332)	(19,552,168,118)
Interest paid	14	(91,231,789,551)	(73,818,888,063)
Corporate income tax paid	15	(27,905,398,083)	(16,397,888,689)
Other cash inflows	16	-	9,153,280,815
Other cash outflows	17	(2,939,570,117)	(17,564,017,166)
Net cash generated by/(used in) operating activities	20	115,506,156,694	(66,401,526,341)
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(209,823,022,385)	(140,509,075,170)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	1,748,807,274	1,605,429,101
3. Interest earned, dividends and profits received	27	28,310,410	168,136,084
Net cash used in investing activities	30	(208,045,904,701)	(138,735,509,985)

The accompanying notes are an integral part of these financial statements

**CASH FLOW STATEMENT (Continued)**

For the year ended 31 December 2018

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	3,471,389,628,846	2,354,076,060,577
2. Repayment of borrowings	34	(3,376,989,402,880)	(2,150,438,023,115)
<b>Net cash generated by financing activities</b>	<b>40</b>	<b>94,400,225,966</b>	<b>203,638,037,462</b>
<b>Net increase/(decrease) in cash (50=20+30+40)</b>	<b>50</b>	<b>1,860,477,959</b>	<b>(1,498,998,864)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>10,283,349,259</b>	<b>11,782,348,123</b>
Effects of changes in foreign exchange rates	61	557,310,073	-
<b>Cash and cash equivalents at the end of the year (70=50+60+61)</b>	<b>70</b>	<b>12,701,137,291</b>	<b>10,283,349,259</b>

**Ta Thi Thu Huong**  
Preparer

**Tran Thi Thu Ha**  
Chief Accountant



**Luong Thi Thuy Ha**  
Deputy Chief Executive Officer

25 March 2019

**NOTES TO THE FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION****Structure of ownership**

TNG Investment and Trading Joint Stock Company (the "Company") was a State-owned enterprise established under Decision No. 448/QD-UB of the People's Committee of Bac Thai Province (currently known as Thai Nguyen Province) dated 12 November 1979. The Company was equitized and transformed into a joint stock company under Decision No. 3744/QD-UB dated 16 December 2002 of the People's Committee of Thai Nguyen Province. Since 01 January 2003, the Company has officially been transformed into a joint stock company under Business License No. 1703000036 issued by the Authority for Planning and Investment of Thai Nguyen Province on 02 January 2003. According to the amended Business Registration Certificates No. 4600305723 amended by the Authority for Planning and Investment of Thai Nguyen Province dated 27 July 2018, the authorized charter capital of the Company is VND 493,401,800,000. The Company's shares are listed on Hanoi Stock Exchange (HNX) with the stock code of TNG.

The Company's total number of employees of as at 31 December 2018 was 14,056 (as at 31 December 2017: 11,110).

**Operating industry and principal activities**

The Company's operating industry and principal activities are to manufacture and sale of garments, including:

- Producing wrinkled paper, wrinkled cardboard, paper and cardboard packaging (producing paper packaging);
- Manufacturing plastic products (plastic production for plastic bags, plastic raincoats and garment materials and accessories);
- Wholesale of fabrics, ready-made garments, shoes;
- Retailing of garments, footwear, leather goods and imitation leather in specialized stores;
- Printing (directly on sewing fabric, plastic, carton paper packaging, PE bag)
- Textile products completion (printing on silk – including thermal printing – on the cloth)
- Real estate business, land use rights of owners, users or renters;
- Making cloth (except being made of animal's skin and fur) - Main sector;
- Manufacture of wearing apparel, crocheted knitting;
- Vocational education (vocational industrial sewing training);
- Manufacture of ready-made garments (except cloth);
- Laundry, cleaning textiles and animal's fur products. Details: Industrial laundry of garments.

**Normal production and business cycle**

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

**The Company's structure**

The Company's structure includes 01 headquarter and 15 branches. The Company's headquarter is located at No. 434/1 Bac Kan street, Hoang Van Thu district, Thai Nguyen city.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

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

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

**Financial year**

The Company's accounting begins on 01 January and ends on 31 December.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Estimates**

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

**Cash**

Cash comprises cash on hand and bank demand deposits.

**Loan receivables**

Loan receivables are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to loan receivables is made in accordance with prevailing accounting regulations.

**Investments in associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

Provisions for impairment of investments in associates are made in accordance with Circular No. 228/2009/TT-BTC dated 07 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.

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**Receivables**

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

**Inventories**

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

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

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use. The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

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

	<u>Years</u>
Buildings and structures	4 - 40
Machinery and equipment	3 - 20
Motor vehicles	6 - 10
Office equipment	3 - 9
Others	5 - 7

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the income statement.

**Intangible assets and amortisation**

***Land use rights***

Intangible assets represent land use rights that are stated at cost less accumulated amortisation. Land use rights are allocated over the land-use period.

***Other intangible assets***

Intangible assets represent computer software that is stated at cost less accumulated amortisation.

Inventory, payroll, production management and accounting management software are amortised using the straight-line method over the duration of 6 years.

**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 professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

**Prepayments**

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments includes the expense which is paid to acquire the land use right, goodwill arising from merging TNG Fashion Joint Stock Company into the Company, and other types of prepayments.

The expense prepaid to acquire the land use right is allocated to the income statement using straight-line method over the lease term.

Goodwill arising from represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and recognised contingent liabilities of the associate or at the date of acquisition. The goodwill is allocated to income statement using straight-line method for the period of 3 years.

Other type of prepayments comprise costs of small tools, supplies and spare parts issued for consumption, advertising expenditures and insurance expenditures incurred during the operating stage of the Company which are expected to provide future economic benefits to the Company. These expenditures have been capitalised as prepayments, and are allocated to the income statement using the straight-line method in accordance with the current prevailing accounting regulations.

**Payable provisions**

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

**Convertible bonds**

A convertible bond is a bond that can be converted into common stock of the same issuer under conditions specified in the issuance plan.

Costs relating to the issue of convertible bonds are amortised over the lives of the convertible bonds using the straight-line method and are recorded in the financial expenses. Periodically, costs relating to the issue of convertible bonds are recorded in the financial expenses in line with recognition of convertible bonds' interest expense.

**Revenue recognition**

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;

- (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in the year by reference to the percentage of completion of the transaction at the balance sheet date of that year. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

#### **Foreign currencies**

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

#### **Borrowing costs**

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No.16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

For specific borrowings for the purpose of construction of fixed assets, borrowing costs are capitalised even when the construction period is under 12 months. Other borrowing costs are recognized in the income statement when incurred.

#### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax 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 never taxable or deductible.

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



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

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

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

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

**4. CASH**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	601,453,628	781,735,297
Bank demand deposits (i)	<u>12,099,683,663</u>	<u>9,501,613,962</u>
	<b><u>12,701,137,291</u></b>	<b><u>10,283,349,259</u></b>

(i) Include the balance of bank deposits which have been used as collateral for short-term loans as stated in Note 17.

**5. SHORT-TERM TRADE RECEIVABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Desipro Pte. Ltd.	124,414,265,176	181,806,723,004
The Haddad Apparel Group., Ltd.	75,051,893,949	12,522,198,769
The Children's Place., Ltd.	57,227,423,199	58,625,272,761
Others	<u>198,980,026,482</u>	<u>153,032,328,608</u>
	<b><u>455,673,608,806</u></b>	<b><u>405,986,523,142</u></b>

**6. OTHER RECEIVABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>a. Current</b>		
- Advance for site clearance compensation	10,000,000,000	-
- Land rentals deductible	5,594,814,972	6,494,648,749
- Receivables from insurance agency (i)	5,017,522,128	4,057,087,879
- Import - export duties temporarily paid	146,419,540	1,689,759,113
- Advances to employees	339,492,799	1,066,864,525
- Deposits and mortgages	280,000,000	9,402,278,570
- Other receivables	<u>247,621,493</u>	<u>4,281,598,245</u>
	<b><u>21,625,870,932</u></b>	<b><u>26,992,237,081</u></b>
<b>b. Non-current</b>		
- Land rentals deductible	10,680,826,157	-
- Deposits and mortgages	<u>8,148,992,830</u>	<u>6,130,199,930</u>
	<b><u>18,829,818,987</u></b>	<b><u>6,130,199,930</u></b>

(i) Represent the Company's advance to insurance agency for employees' social insurance contributions.

7. BAD DEBTS

	Closing balance			Opening balance		
	Cost	Recoverable amount	Overdue days	Cost	Recoverable amount	Overdue days
	VND			VND		
The Children's Place - Disney Store	1,476,984,012	-	> 6 years	1,476,984,012	-	> 5 years
Gama OB	1,103,895,250	-	> 6 years	1,103,895,250	-	> 5 years
Steve & Berrys	653,562,659	-	> 6 years	653,562,659	-	> 5 years
Buda Bean	599,415,428	-	> 6 years	599,415,428	-	> 5 years
Resources Vietnam Corporation	593,781,199	-	> 6 years	593,781,199	-	> 5 years
Others	718,297,423	-	> 5 years	718,297,423	-	> 4 years
	<b>5,145,935,971</b>	-		<b>5,145,935,971</b>	-	

8. INVENTORIES

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND		VND	
Goods in transit	18,821,271,270	-	4,099,742,037	-
Raw materials	259,193,190,322	-	178,833,596,589	-
Tools and supplies	4,236,966,104	-	2,922,715,012	-
Work in progress	116,198,514,769	-	51,566,818,957	-
Finished goods	428,913,539,777	(5,643,052,404)	377,234,204,714	(5,399,733,478)
Merchandise	-	-	27,944,557	-
Goods on consignment	710,576,585	-	1,824,881,720	-
	<b>828,074,058,827</b>	<b>(5,643,052,404)</b>	<b>616,509,903,586</b>	<b>(5,399,733,478)</b>

During the year, the Company made provision for devaluation of inventories with the amount of VND 243,318,926 (2017: nil VND)

As at 31 December 2018, as presented in Note 17, the Company used rotating goods with the minimum value of VND 390 billion as collaterals for the loans obtained from commercial banks (as at 31 December 2017: VND 55 billion).

9. PREPAYMENTS

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<b>a. Current</b>		
- Tools and dies issued for consumption	10,759,089,201	15,252,863,306
- Assets insurance purchase expenses	1,321,992,660	1,829,883,258
- Others	10,465,051,767	3,807,912,131
	<u><b>22,546,133,628</b></u>	<u><b>20,890,658,695</b></u>
<b>b. Non-current</b>		
- Tools and dies issued for consumption;	36,524,716,702	23,753,038,281
- Cost of acquiring land use right and assets on land (i)	19,699,128,647	20,122,765,823
- The cost of repairs for fixed assets	6,785,509,818	16,190,892,850
- Goodwill	3,420,102,120	8,951,081,472
- Others	24,513,488,994	6,998,838,456
	<u><b>90,942,946,281</b></u>	<u><b>76,016,616,882</b></u>

- (i) The cost of acquiring land use right and assets on land pertains to the land plots for which the Company has been granted certificates of land ownership with land rental being paid on an annual basis.

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10. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Office equipment	Motor vehicles	Others	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
Opening balance	664,438,409,541	706,336,175,527	4,505,966,051	9,320,442,670	1,586,314,137	1,386,187,307,926
Additions	16,162,288,134	47,785,592,813	-	923,591,663	263,860,591	65,135,333,201
Transfer from construction in progress	6,579,683,905	102,587,374,093	-	-	-	109,167,057,998
Disposals	(90,821,224)	(22,230,955,615)	-	(747,861,818)	-	(23,069,638,657)
Closing balance	687,089,560,356	834,478,186,818	4,505,966,051	9,496,172,515	1,850,174,728	1,537,420,060,468
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	143,831,729,987	337,106,788,496	3,225,539,317	3,315,025,299	727,773,445	488,206,856,544
Charge for the year	30,996,055,737	78,081,993,365	467,763,914	956,462,738	246,995,088	110,749,270,842
Disposals	(87,951,537)	(19,210,632,582)	-	-	-	(19,298,584,119)
Closing balance	174,739,834,187	395,978,149,279	3,693,303,231	4,271,488,037	974,768,533	579,657,543,267
<b>NET BOOK VALUE</b>						
Opening balance	520,606,679,554	369,229,387,031	1,280,426,734	6,005,417,371	858,540,692	897,980,451,382
Closing balance	512,349,726,169	438,500,037,539	812,662,820	5,224,684,478	875,406,195	957,762,517,201

As presented in Notes 17 and 18, the Company has mortgaged its machinery, equipment, motor vehicles, buildings and structures to secure its loans obtained from commercial banks and credit institutions.

As at 31 December 2018, the cost of the Company's tangible fixed assets includes VND 190,269,310,322 (as at 31 December 2017: VND 120,982,629,067) of assets which have been fully depreciated but are still in use.



11. INCREASES, DECREASES IN INTANGIBLE ASSETS

	Land use rights VND	Computer software VND	Total VND
<b>COST</b>			
Opening balance	7,739,710,249	15,454,108,012	23,193,818,261
Additions	6,901,108,541	5,270,279,472	12,171,388,013
Closing balance	14,640,818,790	20,724,387,484	35,365,206,274
<b>ACCUMULATED DEPRECIATION</b>			
Opening balance	1,069,141,515	10,755,741,340	11,824,882,855
Charge for the year	178,135,386	1,944,215,933	2,122,351,319
Closing balance	1,247,276,901	12,699,957,273	13,947,234,174
<b>NET BOOK VALUE</b>			
Opening balance	<b>6,670,568,734</b>	<b>4,698,366,672</b>	<b>11,368,935,406</b>
Closing balance	<b>13,393,541,889</b>	<b>8,024,430,211</b>	<b>21,417,972,100</b>

The Company uses the land use rights to secure for the loans from banks as presented in the Note No. 18.

12. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
<b>Long-term construction in progress</b>		
- Acquisition	6,959,700,107	8,232,477,735
- Construction	124,935,436,767	114,721,553,893
<b>In which:</b>		
- TNG Phu Luong Factory	43,185,505,800	42,574,555,051
- TNG Song Cong Factory	8,309,807,702	13,753,961,762
- Phu Binh Project	19,817,371,129	17,749,063,222
- TNG Dai Tu Factory	350,000,000	10,485,842,193
- TNG Village Project (*)	34,408,824,327	19,424,911,059
- Viet Thai Factory Project	9,379,286,230	9,328,836,230
- Minh Cau Trading Center	1,147,308,921	1,147,308,921
- TNG Fashion Center Project	206,625,455	206,625,455
- Investments in machinery and equipment	6,959,700,107	8,232,477,735
- TNG Dong Hy Factory	6,529,418,491	50,450,000
- Others	1,601,288,712	-
	<b>131,895,136,874</b>	<b>122,954,031,628</b>

(\*) Construction in progress represents investment construction expense of the housing project at Group 18, Phan Dinh Phung Ward, Thai Nguyen Province. According to Decision No. 108/QĐ-UBND dated 15 January 2019 of People's Committee of Thai Nguyen Province, the project investment policy was changed to TNG Village Commercial housing Project.

13. INVESTMENTS IN JOINT-VENTURE, ASSOCIATES

	Opening balance		Closing balance	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Bac Thai Electric Construction Joint Stock Company	771,150,000	(771,150,000)	771,150,000	(771,150,000)
	<b>771,150,000</b>	<b>(771,150,000)</b>	<b>771,150,000</b>	<b>(771,150,000)</b>

The Board of Executive Officers assesses that the loss on the Company's investment in associates is equal to the Company's ownership interest rate. Therefore, the Board of Executive Officers decided to make full provision for the investment in this investee.

Details of the Company's associates as at 31 December 2018 are as follows:

Name of associate	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity
Bac Thai Electric Construction Joint Stock Company	Thai Nguyen	49	49	Electric Construction

14. SHORT-TERM TRADE PAYABLES

	Closing balance	Opening balance
	Amount/Amount able to be paid off	Amount/Amount able to be paid off
	VND	VND
YKK Vietnam Company Limited	27,355,908,436	14,192,167,349
Desipro Pte. Ltd.	9,580,385,788	2,416,885,780
Unitex International Button accessories Co., Ltd.	8,386,704,556	6,589,341,661
Others	174,143,183,262	152,088,734,251
	<b>219,466,182,042</b>	<b>175,287,129,041</b>

15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	Opening balance	Payable during the year	Paid during the year	Closing balance
	VND	VND	VND	VND
Corporate income tax	8,815,398,083	34,046,549,178	27,905,398,083	14,956,549,178
Personal income tax	508,478,369	9,690,701,669	8,855,970,292	1,343,209,746
Others	5,634,606	7,931,047,419	7,785,592,914	151,089,111
	<b>9,329,511,058</b>	<b>51,668,298,266</b>	<b>44,546,961,289</b>	<b>16,450,848,035</b>

16. SHORT-TERM ACCRUED EXPENSES

	Closing balance	Opening balance
	VND	VND
Accruals for salary and leave	20,443,403,057	12,610,644,762
Accruals for expenses	1,550,498,968	1,282,100,504
Other accruals	3,224,307,054	1,641,171,010
	<b>25,218,209,079</b>	<b>15,533,916,276</b>

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17. SHORT-TERM LOANS

	Closing balance		In the year		Opening balance	
	Amount	Amount able to be paid off	Increases	Decreases	Amount	Amount able to be paid off
	VND		VND		VND	
Short-term loans	956,531,251,176	956,531,251,176	3,191,328,647,244	3,261,936,419,493	885,923,478,927	885,923,478,927
Current portion of long-term loans	118,434,040,260	118,434,040,260	150,679,678,738	124,171,508,713	144,942,210,285	144,942,210,285
	<b>1,074,965,291,436</b>	<b>1,074,965,291,436</b>	<b>3,342,008,325,982</b>	<b>3,386,107,928,206</b>	<b>1,030,865,689,212</b>	<b>1,030,865,689,212</b>

Details of short-term loans are as follows:

**Short-term loans**

	Closing balance	Opening balance
	VND	VND
Joint Stock Commercial Bank for Investment and Development of Vietnam - Thai Nguyen Branch (i)	885,923,478,927	956,531,251,176
Vietnam Joint Stock Commercial Bank for Industry and Trade - Thai Nguyen Branch (ii)	538,069,479,257	594,134,384,133
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thai Nguyen Branch (iii)	329,920,509,390	313,279,130,977
Military Commercial Joint Stock Bank - Thai Nguyen Branch	17,383,440,280	-
Others (iv)	-	48,658,436,066
	550,050,000	459,300,000

**Current portion of long-term loans**

	Closing balance	Opening balance
	VND	VND
Vietnam Joint Stock Commercial Bank for Industry and Trade - Thai Nguyen Branch	144,942,210,285	118,434,040,260
Military Commercial Joint Stock Bank - Thai Nguyen Branch	87,350,712,000	69,266,320,000
Joint Stock Commercial Bank for Investment and Development of Vietnam - Thai Nguyen Branch	36,185,231,810	25,243,972,742
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thai Nguyen Branch	21,406,266,475	18,111,447,518
Others	-	5,812,300,000
	<b>1,030,865,689,212</b>	<b>1,074,965,291,436</b>

(i) Loans from Joint Stock Commercial Bank for Investment and Development of Vietnam - Thai Nguyen Branch under Credit Contract dated 02 October 2018 with the credit limit of VND 900 billion (including loans in VND and foreign currencies equivalent, the balance of L/C less mortgage and guarantee balances), interest rates are determined in respect of each disbursement. The loans are secured by the Company's collaterals and pledged assets of the Company; the total deposit account balance in VND and foreign currencies at the bank and at other credit institutions.



- (ii) Short-term loans from Vietnam Joint Stock Commercial Bank for Industry and Trade - Thai Nguyen Branch under Credit Contract dated 04 September 2018 with the credit limit of VND 500 billion (including loans in VND and USD). The loan bears interest of 6.7% per annum for VND loans and 4.1% per annum for USD loans and to be determined in respect of each disbursement. The loans are secured by assets including industrial sewing machines and office equipment; buildings and structures attached to the land; 4 automatic embroidery machines; buildings and structures attached to the land in Zone B - Song Cong Industrial Zone, rotating inventories and receivables arising from the economic contract of the Company financed by Vietnam Joint Stock Commercial Bank for Industry and Trade.
- (iii) Short-term loans from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thai Nguyen Branch under Credit Contract dated 18 June 2018 with the credit limit of VND 20 billion. Interest rates are 7.2% per annum at the date of contract and determined by notice from the lender for each disbursement. The loans are secured by the additional machinery and equipment invested in Cotton Factory, Packaging Factory and Phu Binh 3 Garment Factory in 2013.
- (iv) Other short-term loans from the Company's employees with maturity periods not exceeding 12 months, unsecured with interest rate of 6% per annum.

18. LONG-TERM LOANS

	Closing balance		In the year		Opening balance	
	Amount	Amount able to be paid off	Increases	Decreases	Amount	Amount able to be paid off
		VND		VND		VND
Long-term loans	393,904,638,162	393,904,638,162	254,870,773,210	275,192,082,787	373,583,328,585	373,583,328,585
	<b>393,904,638,162</b>	<b>393,904,638,162</b>	<b>254,870,773,210</b>	<b>275,192,082,787</b>	<b>373,583,328,585</b>	<b>373,583,328,585</b>

In which:

- Amount due for settlement within 12 months	118,434,040,260	144,942,210,285
- Amount due for settlement after 12 months	275,470,597,902	228,641,118,300

Details of long-term loans are as follows:

	Closing balance	Opening balance
	VND	VND
Vietnam Joint Stock Commercial Bank for Industry and Trade - Thai Nguyen Branch (i)	183,853,393,859	234,471,902,420
Joint Stock Commercial Bank for Investment and Development of Vietnam - Thai Nguyen Branch (ii)	104,980,862,635	95,515,795,813
Military Commercial Joint Stock Bank - Thai Nguyen Branch (iii)	84,749,072,091	58,104,639,929
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thai Nguyen Branch	-	5,812,300,000
	<b>373,583,328,585</b>	<b>393,904,638,162</b>



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- (i) Long-term loans from Commercial Joint Stock Vietnam Bank for Industry and Trade - Thai Nguyen Branch include:
- Loans under valid credit contracts with total credit limit of VND 223 billion for payment of machines and equipment imported for cotton production lines of garment factories located in Zone B, Song Cong Industrial Zone, investment in the Project for production and capacity improvement of TNG Dai Tu Garment Factory, and for investment in the Company's project on equipment system upgrade and construction. The current interest rate is 10.5% to 11.5% per annum for loans in VND and 4.5% to 7.5% per annum for loans in USD (This is the floating rate adjusted on a monthly basis). Loans are secured by the cotton production line installed at Cotton Branch located in Zone B, Song Cong Industrial Zone and assets formed from therefrom.
  - Loans under Credit contract No. 300065363/2017-HDCVNT/NHCT220-TNG dated 27 July 2017 with the total credit limit of VND 33 billion, used to cover the financing costs of the Machinery investment Project Phase II of 2017. The loan term is 60 months from the next date after the date on which the lender grants the first disbursement. The current interest rate is 9.5% per annum for loans in VND and 6.5% per annum for loans in USD. The loans are secured by assets formed therefrom.
- (ii) Long-term loans from Joint Stock Commercial Bank for Investment and Development of Vietnam - Thai Nguyen Branch include:
- Loans under Credit Contract No. 02/2015/469075/HDTD dated 04 December 2015 and amended documents, with total credit limit of VND 112.75 billion for construction of the Company's TNG Fashion Center. The loan term is 84 months from the next date after the date on which the Bank disburses the first loan to the Company. The loans in VND bear interest rates of 11% per annum and of 6.8% per annum for the loans in USD (floating interest rate adjusted on a semi-annual basis). The Company has pledged its machinery, equipment, motor vehicles, buildings and structures, and assets formed from the project to secure the loans.
  - Loans under the Credit Contract No. 01/2017/469075/HDTD dated 03 April 2017 with the total credit limit of VND 32,681,000,000 for investment in Cotton Factory Project of TNG Investment and Trading Joint Stock Company. The loan term is 84 months from the next date after the date on which the Bank disburses the first loan to the Company. The floating interest rate is adjusted every 6 months with current interest rates for loans in VND of 11.5% per annum and for loans in USD of 6.8% per annum. The loan is secured by all assets formed from the investment in the Cotton Factory Project of TNG Investment and Trading Joint Stock Company and all guarantee measures signed between the Company and the Bank, including this credit contract.
  - Loans under credit contract No. 02/2018/469075/HDTD dated 10 September 2018 with the total credit limit of USD 1,327,591 and VND 3,97 billion used to conduct Machinery and equipment investment Project in the last 6 months of 2018 of the Company. The loan term is 60 months from the next date after the date on which the Bank disburses the first loan to the Company. The loans in VND bear interest rates of 11.5% per annum and of 7.2% per annum for loans in USD. The loans are secured by all assets formed from the Company's Machinery and equipment investment Project in the last 6 months of 2018 of the Company.
- (iii) Loans from Military Commercial Joint Stock Bank ("MB") - Thai Nguyen Branch under valid credit contracts with the total credit limit of USD 3,324,900 and VND 19,612,742,199. The loans are used to make L/C payment under the contract to import garment machinery, equipment and payment for purchases of local goods. The floating interest rate, date of interest rate adjustment, and period of interest calculation are determined in each debenture. These loans are secured by all assets formed from the loans including garment machinery and equipment specified by each purchasing contract.

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
On demand or within one year	144,942,210,285	118,434,040,260
In the second year	117,058,559,462	95,765,195,752
In the third to fifth year inclusive	111,582,558,838	179,705,402,150
	<b>373,583,328,585</b>	<b>393,904,638,162</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	144,942,210,285	118,434,040,260
<b>Amount due for settlement after 12 months</b>	<b>228,641,118,300</b>	<b>275,470,597,902</b>

19. CONVERTIBLE BONDS

	Closing balance		Opening balance	
	Amount VND	Interest rate %/Year	Amount VND	Interest rate %/Year
Convertible bonds	200,000,000,000	4.80	-	-
	<b>200,000,000,000</b>		<b>-</b>	

According to the issuance plan under Resolution No. 781/2018/NQ-DHDCD dated 22 April 2018 passed by 2018 Annual General Meeting of Shareholders and Board of Directors' Resolution No. 2275/NQ/HDQT dated 24 September 2018, in 2018, the Company completed the private placement of unsecured convertible bonds in VND with the total principal amount of VND 200 billion under Bonds Subscription Contract dated 25 September 2018 with ASAM Assets management Limited ("Bond holders) and accompanied appendices.

The convertible bonds were issued on 12 December 2018 with the total number of 200 and nominal value of VND 1 billion each. The bonds have a term of 3 years with interest rate of 4.8% per annum at the issuance date which can be adjusted based on the exchange rate of each period, interest payment period of every 3 months and principal repaid at the maturity date.

From one year after the issuance date to 2 months before the maturity date, Bond holders have the option to convert the entire or part of the issued bonds into the Company's shares with conversion price of the convertible bonds at the issuance date of VND 13,800 per share, which can be adjusted under contract scheme. The shares issued for conversion is the Company's common share and will be additionally listed after conversion. Bond holders have the option to request the Company to early redeem part of the entire issued bonds and the largest shareholder of the Company has the right to re-purchase 10% of bonds under the contract term.



TNG INVESTMENT AND TRADING JOINT STOCK COMPANY  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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20. OWNERS' EQUITY

Movement in owners' equity

	Owner's contributed capital	Share premium	Other owner's capital	Investment and development funds	Other reserves	Retained earnings	Total
	VND	VND	VND	VND	VND	VND	VND
Prior year's opening balance as previously reported	342,649,780,000	30,674,475,123	55,419,591	48,980,965,015	17,564,975,246	81,183,791,445	521,109,406,420
Profit for the year	-	-	-	-	-	115,015,102,873	115,015,102,873
Fund distributed from 2016 profit	-	-	-	1,974,104,001	3,921,569,222	(9,812,565,445)	(3,916,892,222)
Share dividend of 2016 declared	68,523,130,000	(99,000,000)	-	-	-	(68,523,130,000)	(99,000,000)
Remuneration of the Board of Directors and Supervisory Board	-	-	-	-	-	(2,841,270,000)	(2,841,270,000)
<b>Current year's opening balance</b>	<b>411,172,910,000</b>	<b>30,575,475,123</b>	<b>55,419,591</b>	<b>50,955,069,016</b>	<b>21,486,544,468</b>	<b>115,021,928,873</b>	<b>629,267,347,071</b>
Profit for the year	-	-	-	-	-	180,260,470,141	180,260,470,141
Fund distributed from 2017 profit (i)	-	-	-	5,870,592,868	11,501,510,287	(28,873,613,442)	(11,501,510,287)
Share dividend of 2017 declared (ii)	82,228,890,000	(55,000,000)	-	-	-	(82,228,890,000)	(55,000,000)
Remuneration of the Board of Directors and Supervisory Board	-	-	-	-	-	(3,906,907,430)	(3,906,907,430)
<b>Current year's closing balance</b>	<b>493,401,800,000</b>	<b>30,520,475,123</b>	<b>55,419,591</b>	<b>56,825,661,884</b>	<b>32,988,054,755</b>	<b>180,272,988,142</b>	<b>794,064,399,495</b>

- (i) According to Resolution No. 781/2018/NQ-DHDCD dated 22 April 2018 passed by 2018 Annual General Meeting of Shareholders, the Company made profit distribution to investment and development fund, other reserves, bonus and welfare funds and remuneration for the Board of Directors and Supervisory Board with the respective amounts of VND 5,870,592,868, VND 11,501,510,287, VND 11,501,510,287 VND and VND 3,906,907,430, respectively.
- (ii) According to Resolution No. 781/2018/NQ-DHDCD dated 22 April 2018 passed by 2018 Annual General Meeting of Shareholders and Resolution No. 897/NQ/TNG-HDQT dated 10 May 2018, the Company made share dividend payment of 2017 to current shareholders at the ratio of 10:2 by additional issuance of 8,222,889 shares. On 27 July 2018, the Company revised its Business Registration Certificate with the charter capital of VND 493,401,800,000. As at 31 December 2018, the Company had completed the dividend payment by shares in accordance with the above Resolutions.

**Shares**

	<u>Closing balance</u>	<u>Opening balance</u>
Number of shares issued to the public	49,340,180	41,117,291
<i>Ordinary shares</i>	49,340,180	41,117,291
Number of outstanding shares in circulation (*)	49,340,180	41,117,291
<i>Ordinary shares</i>	49,340,180	41,117,291

(\*) Included 2,395,946 common shares subject to restricted transfer as at 31 December 2018.

A common share has par value of VND 10,000.

**21. OFF BALANCE SHEET ITEMS**

**Foreign currencies:**

	<u>Closing balance</u>	<u>Opening balance</u>
	<b>VND</b>	<b>VND</b>
United States Dollar (USD)	400,911	329,719

**22. BUSINESS AND GEOGRAPHICAL SEGMENTS**

**Geographical segments**

The Company does not have any operations outside the territory of Vietnam; manufacturing and business activities of the Company are mainly carried out at No. 434/1, Bac Kan Street, Hoang Van Thu District, Thai Nguyen City, Thai Nguyen Province.

**Business segments**

During the year, the principal activities of the Company are manufacturing and trading of garment products (for export and domestic sales). Therefore, no reports by business segment need to be presented. Revenue and cost of sales have been detailed by revenue and cost of goods sold and services rendered provided in Note 23 and Note 24.

23. REVENUE OF GOODS SOLD AND SERVICES RENDERED

	<u>Current year</u> VND	<u>Prior year</u> VND
<b>Total revenue from goods sold and services rendered</b>		
Sales of goods	1,906,375,098,096	1,598,264,969,866
Sales of processing services	1,572,316,900,873	786,359,809,675
Sales of fashion products	134,204,997,976	106,394,139,737
	<b><u>3,612,896,996,945</u></b>	<b><u>2,491,018,919,278</u></b>
<b>Deductions</b>		
Sales rebates	-	2,412,086,267
<b>Net revenue from goods sold and services rendered</b>	<b><u>3,612,896,996,945</u></b>	<b><u>2,488,606,833,011</u></b>

24. COST OF SALES

	<u>Current year</u> VND	<u>Prior year</u> VND
Cost of goods sold	1,576,492,156,712	1,316,320,985,467
Cost of processing services	1,331,009,806,569	647,640,997,657
Cost of fashion products	64,418,399,028	87,625,544,892
	<b><u>2,971,920,362,309</u></b>	<b><u>2,051,587,528,016</u></b>

25. PRODUCTION COST BY NATURE

	<u>Current year</u> VND	<u>Prior year</u> VND
Raw materials and consumables	1,280,360,936,719	916,319,875,507
Labour	1,561,448,214,907	1,038,356,069,294
Depreciation and amortisation	112,871,622,161	101,818,473,252
Out-sourced services	161,937,274,595	149,398,625,872
Other monetary expenses	284,877,345,533	180,052,243,940
	<b><u>3,401,495,393,915</u></b>	<b><u>2,385,945,287,865</u></b>

26. FINANCIAL INCOME

	<u>Current year</u> VND	<u>Prior year</u> VND
Bank and loan interest	28,310,410	168,136,084
Foreign exchange gain	27,679,252,605	14,175,086,386
	<b><u>27,707,563,015</u></b>	<b><u>14,343,222,470</u></b>

27. FINANCIAL EXPENSES

	<u>Current year</u> VND	<u>Prior year</u> VND
Interest expense	91,500,188,015	73,972,440,896
Foreign exchange loss	44,692,993,758	16,085,407,524
	<b><u>136,193,181,773</u></b>	<b><u>90,057,848,420</u></b>

28. SELLING AND GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
<b>General and administration expenses arising in the year</b>		
Management labour cost	143,225,544,684	86,512,040,753
Raw materials and consumables	4,888,735,304	5,356,142,123
Depreciation and amortisation	7,290,750,950	8,226,136,392
Out-sourced expense	1,106,446,637	1,763,408,783
Other monetary expenses	54,952,684,326	47,851,814,705
	<b>211,464,161,901</b>	<b>149,709,542,756</b>
<b>Selling expenses arising in the year</b>		
Labour	15,802,299,241	9,953,926,385
Raw materials and consumables	11,922,401,023	7,729,564,582
Transportation	25,534,285,366	10,853,059,559
Ex-import expense	11,431,808,314	11,948,768,191
Other selling expenses	37,109,044,886	26,784,160,722
	<b>101,799,838,830</b>	<b>67,269,479,439</b>

29. OTHER EXPENSES

	Current year VND	Prior year VND
Loss from disposal of fixed assets	2,385,678,891	934,836,402
Contracts' penalties and compensations	2,893,930,830	8,160,220,995
Others expenses	220,440,659	469,688,558
	<b>5,500,050,380</b>	<b>9,564,745,955</b>

30. CURRENT CORPORATE INCOME TAX EXPENSES

	Current year VND	Prior year VND
<b>Profit before tax</b>	<b>214,307,019,319</b>	<b>136,660,500,956</b>
<b>Adjustments for taxable profit</b>	<b>10,880,906,164</b>	<b>6,631,399,497</b>
Add back: Non-deductible expenses	10,880,906,164	6,631,399,497
<b>Taxable profit</b>	<b>225,187,925,483</b>	<b>143,291,900,453</b>
Tax rate	0%, 15% và 20%	0%, 15% và 20%
<b>Corporate income tax</b>	<b>34,307,549,178</b>	<b>21,880,298,083</b>
Less: Expense for female employees	(261,000,000)	(234,900,000)
<b>Current corporate income tax</b>	<b>34,046,549,178</b>	<b>21,645,398,083</b>

**31. BASIC EARNINGS PER SHARE**

The calculation of the basic earnings per share as at 31 December 2018 is based on profit attributable to ordinary equity holders and weighted average number of ordinary shares in circulation in the year. Details are as below:

	<u>Current year</u>	<u>Prior year</u>
	VND	(Restated) (ii) VND
<b>Accounting profit after corporate income tax</b>	<b>180,260,470,141</b>	<b>115,015,102,873</b>
Appropriation to bonus and welfare funds (i)	-	(15,408,417,717)
<b>Profit or loss attributable to ordinary shareholders</b>	<b>180,260,470,141</b>	<b>99,606,685,156</b>
Average ordinary shares in circulation for the year	49,340,180	49,340,180
<b>Basic earnings per share</b>	<b><u>3,653</u></b>	<b><u>2,019</u></b>

(i) As at 31 December 2018, the Company had not estimated reliably the amount of profit appropriation to bonus and welfare funds. If the Company recorded the appropriate amount of bonus and welfare funds, profits to calculate the basic earnings per share would be reduced, respectively.

(ii) The earnings per share ratio of 2017 was restated due to the effects from profits distributed to bonus and welfare funds, remuneration for Board of Directors and Supervisory Board in compliance with Circular No. 200/2014/TT-BTC issued on 22 December 2014 by Ministry of Finance, and from the payment of 2017 dividends by share issuance in 2018, as follow:

	<u>Reported amount</u>	<u>Adjustment from</u>	<u>Restated amount</u>
	VND	reported amount	VND
<b>Net profit after corporate income tax</b>	<b>115,015,102,873</b>	-	<b>115,015,102,873</b>
Appropriation to bonus and welfare funds	-	(15,408,417,717)	(15,408,417,717)
<b>Profit attributable to ordinary shareholders</b>	<b>115,015,102,873</b>	<b>(15,408,417,717)</b>	<b>99,606,685,156</b>
Average ordinary shares in circulation for the year	41,117,291	8,222,889	49,340,180
<b>Basic earning per share</b>	<b><u>2,797</u></b>		<b><u>2,019</u></b>

**Diluted earnings per share**

The calculation of the diluted earnings per share attributable to ordinary shareholders of the Company is based on the following data:

	<u>Current year</u> VND	<u>Prior year</u> VND
Profit for the year attributable to equity holders of the Company	180,260,470,141	99,606,685,156
Effect of dilutive potential ordinary shares (Convertible bonds)	<u>427,051,811</u>	-
<b>Earnings for the purposes of calculating diluted earnings per share</b>	<b><u>180,687,521,952</u></b>	<b><u>99,606,685,156</u></b>
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	49,340,180	49,340,180
Effect of dilutive potential ordinary shares (Convertible bonds)	<u>794,123</u>	-
<b>Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share</b>	<b><u>50,134,303</u></b>	<b><u>49,340,180</u></b>
<b>Diluted earning per share</b>	<b><u>3,604</u></b>	<b><u>2,019</u></b>

**32. RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<u>Current year</u> VND	<u>Prior year</u> VND
Remuneration of the Board of Executive Officers and Board of Directors	10,569,035,240	7,641,748,400
	<b><u>10,569,035,240</u></b>	<b><u>7,641,748,400</u></b>

**33. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

**Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND 16,571,721,028 (in 2017: VND 29,035,919,359), representing an addition in fixed assets and construction in progress during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.



**34. SUBSEQUENT EVENTS**

- On 01 February 2019, the Authority for Planning and Investment of Thai Nguyen Province issued Business Registration Certificate for TNG Eco Green One Member Limited Liability Company ("TNG Eco Green"). TNG Eco Green has authorized charter capital of VND 50 billion and is fully owned by the Company.

- According to Resolution No. 781/2018/NQ-DHDCD dated 22 April 2018 passed by 2018 Annual General Meeting of Shareholders, Resolution No. 70/NQ/NQHDQT-TNG dated 15 January 2019 and share issue report of Employee Stock Ownership Plan program of the Company dated 07 March 2019, the Company has issued shares under Employee Stock Ownership Plan program ("ESOP") with the number of shares issued of 2,467,009 at the issue price of VND 10,000/share. At the date of these financial statements, the Company is in the process of completing the procedures related to the issue.



**Ta Thi Thu Huong**  
Preparer



**Tran Thi Thu Ha**  
Chief Accountant



**Luong Thi Thuy Ha**  
Deputy Chief Executive Officer

25 March 2019

