

Garmex Saigon Corporation

Consolidated financial statements

For the year ended 31 December 2020



Garmex Saigon Corporation

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Garmex Saigon Corporation

GENERAL INFORMATION

THE COMPANY

Garmex Saigon Corporation ("the Company") is a joint stock company established by the equitization of a State-owned enterprise - Saigon Garment Manufacturing - Export Import Company according to the Decision No. 1663/QD-UB on 5 May 2003 issued by Chairman of Ho Chi Minh City People's Committee. The Company is currently operating pursuant to the Enterprise Registration Certificate ("ERC") No. 0300742387 issued by the Department of Planning and Investment of Ho Chi Minh City dated 7 January 2004, as amended.

The Company's shares were listed on the Ho Chi Minh Stock Exchange in accordance with the Decision No. 101/UBCK-GPNY issued by the Chairman of the State Securities Commission of Vietnam on 6 December 2006.

The current principal activities of the Company are to manufacture and process garment products and kinds of ready-made garments.

The Company's registered head office is located at No. 252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City, Vietnam and three (3) branches are:

- ▶ Binh Tien Garment Factory located at No. 55E Minh Phung Street, Ward 5, District 6, Ho Chi Minh City;
- ▶ An Phu Garment Factory located at No. 14/5 Hamlet Chanh 2, Tan Xuan Commune, Hoc Mon District, Ho Chi Minh City; and
- ▶ An Nhon Garment Factory located at No. 252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City.

BOARD OF DIRECTORS

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

Mr Bui Tuan Ngoc	Chairman
Mr Bui Minh Tuan	Member
Mr Le Hung	Member
Mr Nguyen Viet Cuong	Member
Mr Lam Tu Thanh	Member
Ms Nguyen Thi Thu Huong	Member
Ms Nguyen Minh Hang	Member

BOARD OF SUPERVISION

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

Ms Phan Thi Phuong	Head
Ms Le Thi Chin	Member
Mr Tu Vi Tri	Member

Garmex Saigon Corporation

GENERAL INFORMATION (continued)

MANAGEMENT

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

Mr Le Hung	General Director
Ms Nguyen Thi Thu Ha	Deputy General Director
Ms Nguyen Minh Hang	Deputy General Director cum Finance Director

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Le Hung.

AUDITORS

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

Garmex Saigon Corporation

REPORT OF MANAGEMENT

Management of Garmex Saigon Corporation (“the Company”) is pleased to present this report and the consolidated financial statements of the Company and its subsidiaries (collectively referred to as “the Group”) for the year ended 31 December 2020.

MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Group 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 consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of the consolidated results of its operations and its consolidated 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 the consolidated financial statements.

For and on behalf of management:



Le Hung
General Director

Ho Chi Minh City, Vietnam

2 April 2021

Reference: 61192495/21953053-HN

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Garmex Saigon Corporation

We have audited the accompanying consolidated financial statements of Garmex Saigon Corporation ("the Company") and its subsidiaries (collectively referred to as "the Group") as prepared on 2 April 2021 and set out on pages 6 to 37, which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement and the consolidated 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 consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements, and for such internal control as the management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Group as at 31 December 2020, and of the consolidated results of its operations and its consolidated 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 the consolidated financial statements.

Ernst & Young Vietnam Limited



Nguyễn Thị Nhu Quỳnh
Deputy General Director
Audit Practicing Registration Certificate
No. 3040-2019-004-1

Nguyễn An Khang
Auditor
Audit Practicing Registration Certificate
No. 4611-2018-004-1

Ho Chi Minh City, Vietnam

2 April 2021

CONSOLIDATED BALANCE SHEET
as at 31 December 2020

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,011,789,564,133	820,453,093,414
110	I. Cash and cash equivalents	4	583,690,750,066	232,495,169,949
111	1. Cash		576,137,750,066	214,315,169,949
112	2. Cash equivalents		7,553,000,000	18,180,000,000
130	II. Current accounts receivable		172,662,237,349	221,745,997,662
131	1. Short-term trade receivables	5.1	165,948,073,241	216,234,271,920
132	2. Short-term advances to suppliers	5.2	7,255,149,919	6,339,599,065
136	3. Other short-term receivables		319,786,729	256,230,121
137	4. Provision for doubtful short-term receivables	5.1	(860,772,540)	(1,084,103,444)
140	III. Inventories	6	239,044,910,768	330,556,667,514
141	1. Inventories		246,053,466,503	338,750,550,113
149	2. Provision for obsolete inventories		(7,008,555,735)	(8,193,882,599)
150	IV. Other current assets		16,391,665,950	35,655,258,289
151	1. Short-term prepaid expenses	7	2,073,650,509	1,076,460,087
152	2. Value-added tax deductible	13	14,318,015,441	34,578,798,202
200	B. NON-CURRENT ASSETS		211,000,907,080	208,534,752,779
210	I. Long-term receivable		-	187,272,000
216	1. Other long-term receivables		-	187,272,000
220	II. Fixed assets		160,911,732,115	158,334,791,979
221	1. Tangible fixed assets	8	159,328,605,652	157,348,355,125
222	Cost		387,023,565,399	376,511,056,271
223	Accumulated depreciation		(227,694,959,747)	(219,162,701,146)
227	2. Intangible assets	9	1,583,126,463	986,436,854
228	Cost		7,900,446,460	6,922,821,015
229	Accumulated amortisation		(6,317,319,997)	(5,936,384,161)
240	III. Long-term asset in progress		13,130,494,545	11,863,383,000
242	1. Construction in progress	10	13,130,494,545	11,863,383,000
250	IV. Long-term investments		14,505,047,291	17,067,478,219
252	1. Investment in an associate	11.1	2,069,412,291	4,631,843,219
253	2. Investments in other entities	11.2	15,395,180,000	15,395,180,000
254	3. Provision for long-term investments	11.2	(2,959,545,000)	(2,959,545,000)
260	V. Other long-term assets		22,453,633,129	21,081,827,581
261	1. Long-term prepaid expenses	7	22,453,633,129	20,988,289,039
262	2. Deferred tax assets	26.3	-	93,538,542
270	TOTAL ASSETS		1,222,790,471,213	1,028,987,846,193

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2020


VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		564,362,237,238	545,562,879,290
310	I. Current liabilities		547,987,222,224	535,593,787,542
311	1. Short-term trade payables	12.1	82,735,293,955	157,013,335,958
312	2. Short-term advances from customers	12.2	3,429,687,611	3,123,284,213
313	3. Statutory obligations	13	6,857,569,743	10,212,918,235
314	4. Payables to employees		78,327,759,612	88,532,506,545
315	5. Short-term accrued expenses	14	7,098,194,192	8,202,415,062
319	6. Other short-term payables	15	3,723,483,678	15,972,089,354
320	7. Short-term loans	16	364,417,918,906	248,523,249,005
322	8. Bonus and welfare fund	17	1,397,314,527	4,013,989,170
330	II. Non-current liabilities		16,375,015,014	9,969,091,748
341	1. Deferred tax liabilities	26.3	7,354,595,514	-
342	2. Long-term provision	18	9,020,419,500	9,969,091,748
400	D. OWNERS' EQUITY		658,428,233,975	483,424,966,903
410	I. Capital	19.1	658,428,233,975	483,424,966,903
411	1. Share capital		300,052,800,000	178,809,280,000
411a	- Shares with voting rights		300,052,800,000	178,809,280,000
412	2. Share premium		72,687,827,370	28,314,942,370
415	3. Treasury shares		(863,138,686)	(863,138,686)
417	4. Foreign exchange differences reserve		(1,086,442,604)	(1,094,916,440)
418	5. Investment and development fund		67,859,802,989	67,859,802,989
421	6. Undistributed earnings		219,481,593,007	210,171,523,089
421a	- Undistributed earnings by the end of prior year		173,135,794,518	105,706,776,252
421b	- Undistributed earnings of the current year		46,345,798,489	104,464,746,837
429	7. Non-controlling interests		295,791,899	227,473,581
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,222,790,471,213	1,028,987,846,193


Nguyen Thi Diem
Preparer


Tran Thi My Hanh
Chief Accountant




Le Hung
General Director

2 April 2021

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2020

VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	20.1	1,474,983,185,591	1,749,298,426,118
02	2. Deductions	20.1	416,935,007	1,527,441,135
10	3. Net revenues from sale of goods and rendering of services	20.1	1,474,566,250,584	1,747,770,984,983
11	4. Cost of goods sold and services rendered	21	1,272,029,622,499	1,454,755,430,378
20	5. Gross profit from sale of goods and rendering of services		202,536,628,085	293,015,554,605
21	6. Finance income	20.2	11,628,261,875	6,803,791,434
22	7. Finance expenses	22	20,024,437,145	12,768,616,127
23	<i>In which: Interest expense</i>		8,120,811,733	7,935,437,715
24	8. Shares of loss of an associate	11.1	2,562,430,928	-
25	9. Selling expenses	23	12,579,944,135	21,113,759,101
26	10. General and administrative expenses	23	116,632,182,484	128,925,810,508
30	11. Operating profit		62,365,895,268	137,011,160,303
31	12. Other income	24	2,723,657,824	1,371,536,686
32	13. Other expenses	24	181,826,598	3,517,201,640
40	14. Other profit (loss)	24	2,541,831,226	(2,145,664,954)
50	15. Accounting profit before tax		64,907,726,494	134,865,495,349
51	16. Current corporate income tax expense	26.1	11,045,475,631	29,786,691,833
52	17. Deferred tax expense	26.3	7,448,134,056	629,762,182
60	18. Net profit after tax		46,414,116,807	104,449,041,334
61	19. Net profit after tax attributable to shareholders of the parent		46,345,798,489	104,464,746,837
62	20. Net profit (loss) after tax attributable to non-controlling interests	19.1	68,318,318	(15,705,503)
70	21. Basic earnings per share	19.5	1,564	4,965
71	22. Diluted earnings per share	19.5	1,564	4,965


Nguyen Thi Diem
Preparer


Tran Thi My Hanh
Chief Accountant


Le Hung
General Director



2 April 2021

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2020

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Accounting profit before tax		64,907,726,494	134,865,495,349
	<i>Adjustments for:</i>			
02	Depreciation and amortization of fixed assets	8, 9	26,094,383,040	27,211,767,831
03	(Reversal of provision) provisions		(2,357,330,016)	78,377,475
04	Foreign exchange losses arisen from revaluation of monetary accounts denominated in foreign currencies		2,736,477,534	1,245,439,615
05	Profits from investing activities		696,991,998	(64,598,727)
06	Interest expense	22	8,120,811,733	7,935,437,715
08	Operating profit before changes in working capital		100,199,060,783	171,271,919,258
09	Decrease in receivables		71,170,043,117	102,131,574,466
10	Decrease (increase) in inventories		92,697,083,610	(35,791,789,454)
11	(Decrease) increase in payables		(102,576,101,093)	22,654,276,476
12	(Increase) decrease in prepaid expenses		(2,462,534,512)	4,477,126,329
14	Interest paid		(8,216,832,166)	(8,310,690,808)
15	Corporate income tax paid	13	(15,418,948,481)	(49,515,219,324)
17	Other cash outflows for operating activities		(7,563,253,214)	(3,173,082,775)
20	Net cash flows from operating activities		127,828,518,044	203,744,114,168
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets		(25,830,759,576)	(8,979,256,860)
22	Proceeds from disposals of fixed assets		1,643,885,950	-
27	Dividends and interest received		320,926,696	64,598,727
30	Net cash flows used in investing activities		(23,865,946,930)	(8,914,658,133)

CONSOLIDATED CASH FLOW STATEMENT (continued)
for the year ended 31 December 2020

VND

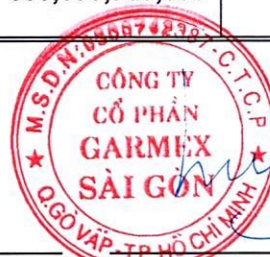
Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
31	Issuance of shares		133,527,255,000	-
33	Drawdown of borrowings	16	844,756,929,173	1,418,549,453,411
34	Repayment of borrowings	16	(730,360,355,435)	(1,509,026,729,512)
36	Dividends paid	19.3	-	(4,456,325)
40	Net cash flows from (used in) financing activities		247,923,828,738	(90,481,732,426)
50	Net increase in cash for the year		351,886,399,852	104,347,723,609
60	Cash and cash equivalents at beginning of year		232,495,169,949	128,163,362,782
61	Impact of exchange rate fluctuation		(690,819,735)	(15,916,442)
70	Cash and cash equivalents at end of year	4	583,690,750,066	232,495,169,949



Nguyen Thi Diem
Preparer



Tran Thi My Hanh
Chief Accountant



Le Hung
General Director

2 April 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as at 31 December 2020 and for the year then ended

1. CORPORATE INFORMATION

Garmex Saigon Corporation (“the Company”) is a joint stock company established by the equitization of a State-owned enterprise - Saigon Garment Manufacturing - Export Import Company according to the Decision No. 1663/QD-UB on 5 May 2003 issued by Chairman of Ho Chi Minh City People's Committee. The Company is currently operating pursuant to the Enterprise Registration Certificate (“ERC”) No. 0300742387 issued by the Department of Planning and Investment of Ho Chi Minh City dated 7 January 2004, as amended.

The Company's shares were listed on the Ho Chi Minh Stock Exchange in accordance with the Decision No. 101/UBCK-GPNY issued by the Chairman of the State Securities Commission of Vietnam on 6 December 2006.

The current principal activities of the Company and its subsidiaries (“the Group”) are to manufacture and process garment products and kinds of ready-made garments.

The Company's registered head office is located at No. 252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City, Vietnam and three (3) branches are:

- ▶ Binh Tien Garment Factory located at No. 55E Minh Phung Street, Ward 5, District 6, Ho Chi Minh City;
- ▶ An Phu Garment Factory located at No. 14/5 Hamlet Chanh 2, Tan Xuan Commune, Hoc Mon District, Ho Chi Minh City; and
- ▶ An Nhon Garment Factory located at No. 252 Nguyen Van Luong Street, Ward 17, Go Vap District, Ho Chi Minh City.

The number of the Group's employees as at 31 December 2020 was 4,183 (31 December 2019: 3,773).

Corporate structure

The Company's corporate structure includes 3 direct subsidiaries and an indirect subsidiary, in which:

Name of subsidiaries	Location	Business activities	% Voting	
			31 December 2020	31 December 2019
			(%)	(%)
(1) Garmex Quangnam Company Limited	Ho Chi Minh City, Vietnam	Garment	100	100
(2) Tan My Garment Co., Ltd	Ba Ria - Vung Tau Province, Vietnam	Garment	100	100
(3) Sai Gon Tuong Long Co., Ltd	Binh Duong Province, Vietnam	Garment	51	51
(4) Blue Saigon LLC (*)	United States	Trading of garment products	100	100

(*) Blue Saigon LLC was in restructuring process and temporarily stopped its operations as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

2. BASIS OF PREPARATION

2.1 *Applied accounting standards and system*

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

- ▶ 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 consolidated financial statements, including their utilization 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 consolidated financial position and consolidated results of operations and consolidated 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 Group's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

2.4 *Accounting currency*

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

2.5 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealized gains or losses result from intra-company transactions are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.

Impact of change in the ownership interest of a subsidiary, without a loss of control, is recorded in undistributed earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of not more than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2 *Inventories*

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

Net realizable value 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, tools and supplies, consumables and goods for resale.	-	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 (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Group, 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 in the consolidated income statement.

3.3 *Receivables*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 *Intangible assets*

Intangible assets are stated at cost less accumulated amortization.

The cost of an intangible asset comprises its purchase price and any directly attributable costs of preparing the intangible 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 consolidated income statement as incurred.

When intangible 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 consolidated income statement.

3.6 *Depreciation and amortization*

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

Buildings and structures	5 - 50 years
Machinery and equipment	3 - 8 years
Means of transportation	6 - 10 years
Office equipment	3 - 8 years
Computer software	4 - 8 years

3.7 *Borrowing costs*

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of the fund and are recorded as expense during the year in which they are incurred.

3.8 *Prepaid expenses*

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

Prepaid land rental

Prepaid land rental represents the unamortised balance of advanced payment made in accordance with lease contracts for a period from 43 to 50 years. Such prepaid rental is recognized as a long-term prepaid expense for allocation to the consolidated income statement over the remaining lease period according to Circular No. 45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets.

3.9 *Investments*

Investments in an associate

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence that is neither subsidiaries nor joint ventures. The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment. Goodwill is not amortised and subject to annual review for impairment. The consolidated income statement reflects the share of the post-acquisition results of operation of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 *Investments* (continued)

Investments in an associate (continued)

The share of post-acquisition profit (loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividend, profit sharing received or receivable from associates reduces the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting period and use the same accounting policies as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investments in other entities

Investments in other entities are stated at their acquisition costs.

Provision for diminution in value of investments

Provision of the investment is made when there are reliable evidences of the diminution in value of those investments at the balance sheet date.

Increases and decreases to the provision balance are recorded as finance expenses in the consolidated income statement.

3.10 *Payables and accruals*

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

3.11 *Accrual for severance pay*

The severance pay to employee is accrued at the end of each reporting year for all employees who have been in service for more than 12 months up to 31 December 2008 at the rate of one-half of the average monthly salary for each year of service up to 31 December 2008 in accordance with the Labour Code and related implementing guidance. The average monthly salary used in this calculation will be revised at the end of each reporting period following the average monthly salary of the 6-month period up to the reporting date. Any increase to the accrued amount will be taken to the consolidated 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 Group's reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transactions 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 commercial banks designated for payment.

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

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

All foreign exchange differences incurred are taken to the consolidated income statement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 *Foreign currency transactions* (continued)

Conversion of the financial statements of a foreign operation

Conversion of the financial statements of a subsidiary of the Group which maintains its accounting records in other currency rather than the Group's accounting currency of VND, for consolidation purpose, is as follows:

- Assets and liabilities are converted into VND by using the buying and selling exchange rates, respectively, as announced by the commercial banks where the Group frequently conducts its transactions at the balance sheet date;
- Revenues, other income and expenses are converted into VND by using the actual transactional exchange rates; or the average exchange rates if the average exchange rates do not exceed +/- 2% the transactional exchange rates; and
- All foreign exchange differences resulting from conversion of financial statements of the subsidiary for the consolidation purpose are taken to the "foreign exchange differences reserve" on the consolidated balance sheet and charged to the consolidated income statement upon the disposal of the investment.

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, re-issue or cancellation of the Group's own equity instruments.

3.14 *Appropriation of net profit*

Net profit after tax is available for appropriation to shareholders after approval in the shareholders' meeting, and after making appropriation to reserve funds in accordance with the Company's Charter and Vietnam's regulatory requirements.

The Group maintains the following reserve funds which are appropriated from the Group's net profit after tax 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 Group's expansion of its operations or in-depth investments.

Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees' benefits, and presented as a liability on the consolidated balance sheet.

3.15 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Rendering of services

Revenue is recognized when services are rendered and completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue recognition (continued)

Interest

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

Dividends

Income is recognized when the Group's entitlement as an investor to receive the dividend is established.

3.16 Taxation

Current income tax

Current income tax assets and liabilities for 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 consolidated income statement, except when it relates to items recognized 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 Group to set off current tax assets against current tax liabilities and when the Group intends to settle its current tax assets and liabilities on a net basis.

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 purpose.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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, except:

- ▶ where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of deductible temporarily differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 *Taxation* (continued)

Deferred tax (continued)

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 deferred tax asset to be utilised. Previously unrecognized 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 year 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 consolidated income statement, except when it relates to items recognised directly to equity, in which case it is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Group to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or when the Group intends to either settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.17 *Earnings per share*

Basic earnings per share is computed by dividing net profit after tax 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 Group 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 potential dilutive ordinary shares into ordinary shares.

3.18 *Segment information*

A segment is a component determined separately by the Group 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 Group's current principal activities are manufacturing garment products and kinds of ready-made garments. In addition, these activities are mainly taking place within Vietnam except for Blue Saigon LLC which is operating in the United States. However, its financial position and results of its operation were immaterial to the consolidated financial position of the Group and the consolidated results of its operations. Therefore, the Group's risks and returns are not impacted by the Group's products that the Group is trading or the locations where the Group is operating. As a result, management is of the view that there is only one segment for business in garment industry and geography in Vietnam and therefore presentation of 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 their families.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

4. CASH AND CASH EQUIVALENTS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Cash on hand	232,692,344	202,228,008
Cash in banks	575,905,057,722	213,897,185,408
Cash in transit	-	215,756,533
Cash equivalents (*)	7,553,000,000	18,180,000,000
TOTAL	<u>583,690,750,066</u>	<u>232,495,169,949</u>

(*) Cash equivalents represent term deposits at the commercial banks with the original maturity of no more than three months and earn the interest at the rates 3.3% per annum.

5. SHORT-TERM TRADE RECEIVABLES AND SHORT-TERM ADVANCES TO SUPPLIERS

5.1 Short-term trade receivables

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Trade receivables from other parties	133,863,747,028	216,234,271,920
- Columbia Sportswear Company (Hongkong) Ltd	72,231,382,993	52,923,690,284
- Promiles S.N.C	55,751,336,617	117,012,421,543
- New Wave Group SA	1,947,461,594	15,962,623,641
- Others	3,933,565,824	30,335,536,452
Trade receivables from a related party (Note 27)	32,084,326,213	-
TOTAL	<u>165,948,073,241</u>	<u>216,234,271,920</u>
Provision for doubtful short-term receivables	(860,772,540)	(1,084,103,444)
NET	<u>165,087,300,701</u>	<u>215,150,168,476</u>

Details of movements of provision for doubtful short-term receivables are as follows:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Beginning balance	1,084,103,444	637,095,053
Add: Provision made during the year	212,064,132	596,827,379
Less: Utilisation and reversal of provision during the year	(435,395,036)	(149,818,988)
Ending balance	<u>860,772,540</u>	<u>1,084,103,444</u>

5.2 Short-term advances to suppliers

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
W.L. Gore & Associates (Hong Kong) Ltd	2,202,437,737	-
4/10 Fire Protection Equipment Center	1,734,753,340	1,375,773,840
Viking Torch Far East Limited	-	1,940,433,856
Others	3,317,958,842	3,023,391,369
TOTAL	<u>7,255,149,919</u>	<u>6,339,599,065</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

6. INVENTORIES

	VND			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Provision</i>	<i>Cost</i>	<i>Provision</i>
Raw materials	134,619,019,770	(3,497,041,742)	216,405,361,118	(3,989,162,911)
Finished goods	97,986,179,932	(3,511,513,993)	110,064,964,062	(4,204,719,688)
Goods in transit	10,381,272,768	-	4,671,097,658	-
Work in process	1,680,122,315	-	5,096,973,142	-
Tools and supplies	1,275,692,260	-	2,077,686,133	-
Merchandise goods	111,179,458	-	434,468,000	-
TOTAL	<u>246,053,466,503</u>	<u>(7,008,555,735)</u>	<u>338,750,550,113</u>	<u>(8,193,882,599)</u>

Movements of provision for obsolete inventories:

	VND	
	<i>Current year</i>	<i>Previous year</i>
Beginning balance	8,193,882,599	11,531,605,263
Add: Provision made during the year	-	7,592,410,138
Less: Reversal of provision during the year	<u>(1,185,326,864)</u>	<u>(10,930,132,802)</u>
Ending balance	<u>7,008,555,735</u>	<u>8,193,882,599</u>

7. PREPAID EXPENSES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Short-term	2,073,650,509	1,076,460,087
Repair expenses	556,510,247	252,461,334
Others	1,517,140,262	823,998,753
Long-term	22,453,633,129	20,988,289,039
Prepaid land rental	13,989,740,356	14,362,700,559
Tools and supplies	6,948,326,591	4,228,901,675
Machine and equipment	1,340,012,554	1,668,742,292
Others	175,553,628	727,944,513
TOTAL	<u>24,527,283,638</u>	<u>22,064,749,126</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

8. TANGIBLE FIXED ASSETS

	VND				
	<i>Buildings and structures</i>	<i>Machinery and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Total</i>
Cost					
Beginning balance	185,633,822,459	162,031,345,862	14,085,156,513	14,760,731,437	376,511,056,271
New purchases	3,897,268,143	18,883,988,286	1,719,065,455	3,289,364,001	27,789,685,885
Disposal	-	(15,945,338,605)	(336,495,650)	(992,321,095)	(17,274,155,350)
Foreign exchange differences	-	-	-	(3,021,407)	(3,021,407)
Ending balance	<u>189,531,090,602</u>	<u>164,969,995,543</u>	<u>15,467,726,318</u>	<u>17,054,752,936</u>	<u>387,023,565,399</u>
<i>In which:</i>					
<i>Fully depreciated</i>	26,002,978,288	77,730,714,770	7,685,950,862	10,899,500,972	122,319,144,892
Accumulated depreciation					
Beginning balance	67,568,452,106	128,406,710,486	10,595,123,122	12,592,415,432	219,162,701,146
Depreciation for the year	8,328,582,934	14,645,182,191	1,124,948,623	1,611,002,551	25,709,716,299
Disposal	-	(15,942,076,696)	(336,495,650)	(896,699,125)	(17,175,271,471)
Foreign exchange differences	-	-	-	(2,186,227)	(2,186,227)
Ending balance	<u>75,897,035,040</u>	<u>127,109,815,981</u>	<u>11,383,576,095</u>	<u>13,304,532,631</u>	<u>227,694,959,747</u>
Net carrying amount					
Beginning balance	<u>118,065,370,353</u>	<u>33,624,635,376</u>	<u>3,490,033,391</u>	<u>2,168,316,005</u>	<u>157,348,355,125</u>
Ending balance	<u>113,634,055,562</u>	<u>37,860,179,562</u>	<u>4,084,150,223</u>	<u>3,750,220,305</u>	<u>159,328,605,652</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

9. INTANGIBLE ASSETS

	VND	
	<i>Computer software</i>	
Cost		
Beginning balance		6,922,821,015
New purchase		981,356,350
Foreign exchange differences		(3,730,905)
Ending balance		<u>7,900,446,460</u>
<i>In which:</i>		
<i>Fully amortised</i>		4,592,758,965
Accumulated amortization		
Beginning balance		5,936,384,161
Amortization for the year		384,666,741
Foreign exchange differences		(3,730,905)
Ending balance		<u>6,317,319,997</u>
Net carrying amount		
Beginning balance		<u>986,436,854</u>
Ending balance		<u>1,583,126,463</u>

10. CONSTRUCTION IN PROGRESS

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Land at 213 Hong Bang	10,020,000,000	10,020,000,000
Tan My Garment Factory project at the		
Hac Dich Industry Zone	1,843,383,000	1,843,383,000
Others	1,267,111,545	-
TOTAL	<u>13,130,494,545</u>	<u>11,863,383,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

11. LONG-TERM INVESTMENTS

	VND			
	<i>Ending balance</i>		<i>Beginning balance</i>	
	<i>Cost</i>	<i>Provision</i>	<i>Cost</i>	<i>Provision</i>
Investment in an associate (Note 11.1)	2,069,412,291	-	4,631,843,219	-
Investment in other entities (Note 11.2)	15,395,180,000	(2,959,545,000)	15,395,180,000	(2,959,545,000)
TOTAL	<u>17,464,592,291</u>	<u>(2,959,545,000)</u>	<u>20,027,023,219</u>	<u>(2,959,545,000)</u>

11.1 Investment in an associate

<i>Name</i>	<i>Business activities</i>	<i>Ending balance</i>		<i>Beginning balance</i>	
		<i>Ownership</i>	<i>Amount</i>	<i>Ownership</i>	<i>Amount</i>
		%	VND	%	VND
Phu My Corporation	Garment	<u>32.67</u>	<u>2,069,412,291</u>	<u>32.67</u>	<u>4,631,843,219</u>

Details of this investment in an associate which were consolidated by applying equity method are presented as follows:

	VND
Cost of investment:	
Beginning and ending balances	<u>4,341,000,000</u>
Accumulated share in post-acquisition loss of the associate:	
Beginning balance	290,843,219
Share in post-acquisition loss of the associate	<u>(2,562,430,928)</u>
Ending balance	<u>(2,271,587,709)</u>
Carrying amount:	
Beginning balance	<u>4,631,843,219</u>
Ending balance	<u>2,069,412,291</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

11. LONG-TERM INVESTMENTS (continued)

11.2 Investment in other entities

Name of entity	Ending balance			Beginning balance		
	Number of shares	Cost of investment VND	Provision VND	Number of shares	Cost of investment VND	Provision VND
Gia Dinh Development Corporation	843,950	10,127,400,000	-	843,950	10,127,400,000	-
Viet A Joint Stock Commercial Bank	207,701	3,998,050,000	(2,959,545,000)	207,701	3,998,050,000	(2,959,545,000)
Joint Stock Commercial Bank for Foreign Trade of Vietnam	25,266	1,269,730,000	-	25,266	1,269,730,000	-
TOTAL		15,395,180,000	(2,959,545,000)		15,395,180,000	(2,959,545,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

12. SHORT-TERM TRADE PAYABLES AND SHORT-TERM ADVANCES FROM CUSTOMERS

12.1 Short-term trade payables

	VND	
	Ending balance	Beginning balance
Due to other parties	82,348,244,329	156,121,487,404
- Desipro Pte. Ltd	9,086,289,436	51,799,778,485
- N.I.Teijin Shoji	8,906,053,356	18,154,822,930
- YKK Viet Nam Co., Ltd	8,348,286,635	-
- Hikari (Shanghai) Precise Machinery Science And Technology Co.Ltd	6,408,036,450	-
- Others	49,599,578,452	86,166,885,989
Due to related parties (Note 27)	387,049,626	891,848,554
TOTAL	<u>82,735,293,955</u>	<u>157,013,335,958</u>

12.2 Short-term advances from customers

	VND	
	Ending balance	Beginning balance
Game Guard	2,895,753,279	-
Topo Designs	-	2,686,337,125
Others	533,934,332	436,947,088
TOTAL	<u>3,429,687,611</u>	<u>3,123,284,213</u>

13. STATUTORY OBLIGATIONS

	VND			
	Beginning balance	Increase in year	Decrease in year	Ending balance
Receivables				
Value-added tax	<u>34,578,798,202</u>	<u>58,314,294,842</u>	<u>(78,575,077,603)</u>	<u>14,318,015,441</u>
Payables				
Corporate income tax	8,811,768,322	11,045,475,631	(15,418,948,481)	4,438,295,472
Value-added tax	775,458,539	18,182,021,968	(17,247,072,378)	1,710,408,129
Personal income tax	340,931,887	7,158,379,034	(6,804,628,308)	694,682,613
Other taxes	284,759,487	2,969,584,702	(3,240,160,660)	14,183,529
TOTAL	<u>10,212,918,235</u>	<u>39,355,461,335</u>	<u>(42,710,809,827)</u>	<u>6,857,569,743</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

14. SHORT-TERM ACCRUED EXPENSES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Annual leave salary	5,492,975,768	5,593,053,043
Penalty expense	-	1,207,500,000
Others	1,605,218,424	1,401,862,019
TOTAL	<u>7,098,194,192</u>	<u>8,202,415,062</u>

15. OTHER SHORT-TERM PAYABLES

	VND	
	<i>Ending balance</i>	<i>Beginning balance</i>
Trade union fee and insurance	2,587,456,172	1,772,518,875
Deposit received	-	9,000,000,000
Advance received from shareholders for purchase of new shares	-	4,499,857,479
Others	1,136,027,506	699,713,000
TOTAL	<u>3,723,483,678</u>	<u>15,972,089,354</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

16. SHORT TERM LOANS

	<i>Beginning balance</i>	<i>Drawdown in year</i>	<i>Payment in year</i>	<i>Foreign exchange differences</i>	<i>VND</i> <i>Ending balance</i>
Loan from banks (*)	<u>248,523,249,005</u>	<u>844,756,929,173</u>	<u>(730,360,355,435)</u>	<u>1,498,096,163</u>	<u>364,417,918,906</u>

(*) The Group obtained short-term loans from a bank to finance for working capital requirements. Details of loans are as follows:

<i>Banks</i>	<i>Ending balance</i> <i>VND</i>	<i>Original amount</i> <i>USD</i>	<i>Maturity date</i>	<i>Maturity date</i>	<i>Description of collateral</i>
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	<u>364,417,918,906</u>	<u>15,697,520</u>	From 2.4% to 3.3%	From 8 March 2021 to 13 November 2021	Unsecured



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

17. BONUS AND WELFARE FUND

	<i>Current year</i>	<i>Previous year</i>
		VND
Beginning balance	4,013,989,170	5,466,837,861
Utilization of fund	<u>(2,616,674,643)</u>	<u>(1,452,848,691)</u>
Ending balance	<u>1,397,314,527</u>	<u>4,013,989,170</u>

18. LONG-TERM PROVISION

Long-term provision represents the accrued severance allowance in accordance with Article 48 of the Labour Code, as mentioned in Note 3.11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

19. OWNERS' EQUITY

19.1 Increase and decrease in owners' equity

VND

	Share capital	Share premium	Treasury shares	Investment and development fund	Foreign exchange differences reserve	Undistributed earnings	Non-controlling interests	Total
Previous year								
Beginning balance	155,556,200,000	28,314,942,370	(863,138,686)	67,859,802,989	(1,193,786,099)	130,680,090,336	243,179,084	380,597,289,994
Net profit (loss) for the year	-	-	-	-	-	104,464,746,837	(15,705,503)	104,449,041,334
Bonus to the Board of Directors, the management and the Board of Supervision	-	-	-	-	-	(1,720,234,084)	-	(1,720,234,084)
Share dividends	23,253,080,000	-	-	-	-	(23,253,080,000)	-	-
Foreign exchange differences	-	-	-	-	98,869,659	-	-	98,869,659
Ending balance	<u>178,809,280,000</u>	<u>28,314,942,370</u>	<u>(863,138,686)</u>	<u>67,859,802,989</u>	<u>(1,094,916,440)</u>	<u>210,171,523,089</u>	<u>227,473,581</u>	<u>483,424,966,903</u>
Current year								
Beginning balance	178,809,280,000	28,314,942,370	(863,138,686)	67,859,802,989	(1,094,916,440)	210,171,523,089	227,473,581	483,424,966,903
Increase in the year (*)	89,154,370,000	44,372,885,000	-	-	-	-	-	133,527,255,000
Net profit for the year	-	-	-	-	-	46,345,798,489	68,318,318	46,414,116,807
Share dividends (**)	32,089,150,000	-	-	-	-	(32,089,150,000)	-	-
Bonus to the Board of Directors, the management and the Board of Supervision	-	-	-	-	-	(4,946,578,571)	-	(4,946,578,571)
Foreign exchange differences	-	-	-	-	8,473,836	-	-	8,473,836
Ending balance	<u>300,052,800,000</u>	<u>72,687,827,370</u>	<u>(863,138,686)</u>	<u>67,859,802,989</u>	<u>(1,086,442,604)</u>	<u>219,481,593,007</u>	<u>295,791,899</u>	<u>658,428,233,975</u>

(*) In accordance with the Annual General Meeting Resolution No. 01/NQ-DHDCD.2019 dated 25 April 2019, the Company was approved to issue 8,915,437 shares at the price of VND 15,000 per share to existing shareholders. The Company's share capital increased from VND 178,809,280,000 to VND 267,963,650,000. On 14 February 2020, the Department of Planning and Investment of Ho Chi Minh City granted the 17th amended ERC, approving the said increase of the Company's share capital, and the Company completed the transaction on 14 January 2020.

(**) In accordance with the Annual General Meeting Resolution No. 01/NQ-DHDCD/2020 dated 24 June 2020 and the Board of Directors' Resolution No. 35/NQ-HDQT/2020 dated 7 August 2020, the Company issued 3,208,915 shares to pay the 2nd dividend for 2019 to its existing shareholders. The Company's share capital increased from VND 267,963,650,000 to VND 300,052,800,000. On 22 September 2020, the Department of Planning and Investment of Ho Chi Minh City granted the 18th amended ERC, approving the said increase of the Company's share capital. The Company completed the transaction on 31 August 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

19. OWNERS' EQUITY (continued)

19.2 Capital transactions with owners

	VND	
	<i>Current year</i>	<i>Previous year</i>
Contributed share capital		
Beginning balance	178,809,280,000	155,556,200,000
Increase in the year	89,154,370,000	-
Share dividends	32,089,150,000	23,253,080,000
Ending balance	<u>300,052,800,000</u>	<u>178,809,280,000</u>

19.3 Dividends

	VND	
	<i>Current year</i>	<i>Previous year</i>
Declared during the year		
Share dividends	32,089,150,000	23,253,080,000
	32,089,150,000	23,253,080,000
Paid during the year		
Share dividends	32,089,150,000	23,257,536,325
Paid by cash	-	4,456,325

19.4 Shares

	Quantity	
	<i>Ending balance</i>	<i>Beginning balance</i>
Authorized shares	30,005,280	17,880,928
Issued and paid-up shares		
<i>Ordinary shares</i>	30,005,280	17,880,928
Treasury shares		
<i>Ordinary shares</i>	(49,260)	(49,260)
Shares in circulation		
<i>Ordinary shares</i>	29,956,020	17,831,668

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

19. OWNERS' EQUITY (continued)

19.5 Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<i>Current year</i>	<i>Previous year (restated)</i>
Net profit after tax attributable to ordinary shareholders (VND)	46,345,798,489	104,464,746,837
Net profit after tax attributable to ordinary shareholders for basic earnings (VND) (*)	46,345,798,489	104,464,746,837
Weighted average number of ordinary shares (**)	29,639,351	21,040,583
Earnings per share (VND)		
<i>Basic earnings per share</i>	1,564	4,965
<i>Diluted earnings per share</i>	1,564	4,965

(*) Profit used to compute earnings per share for the year 2020 was not adjusted for the appropriation to bonus and welfare fund from the 2020 profit as Resolution of the shareholders meeting on the distribution of the profit after tax of the current year is not yet available.

(**) The weighted average number of ordinary shares for the year 2019 as presented in the consolidated financial statements for the year 2019 was restated to reflect the dividend paid in form of shares issued in the year 2020.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

20. REVENUES

20.1 Revenue from sales of goods and rendering of services

	VND	
	<i>Current year</i>	<i>Previous year</i>
Gross revenue	1,474,983,185,591	1,749,298,426,118
<i>Export sale</i>	1,346,274,571,830	1,740,865,680,384
<i>Domestic sale</i>	128,708,613,761	8,432,745,734
Less	(416,935,007)	(1,527,441,135)
<i>Sales allowances</i>	(395,745,150)	(434,779,686)
<i>Sales returns</i>	(21,189,857)	(1,092,661,449)
NET REVENUE	1,474,566,250,584	1,747,770,984,983
<i>In which:</i>		
<i>Net revenue from other parties</i>	1,349,956,392,184	1,747,770,984,983
<i>Net revenue from a related party</i>	124,609,858,400	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

20. REVENUES (continued)

20.2 Finance income

	VND	
	<i>Current year</i>	<i>Previous year</i>
Foreign exchange gains	11,262,951,243	6,739,192,707
Interest income	300,713,896	64,598,727
Others	64,596,736	-
TOTAL	<u>11,628,261,875</u>	<u>6,803,791,434</u>

21. COST OF GOODS SOLD AND SERVICES RENDERED

	VND	
	<i>Current year</i>	<i>Previous year</i>
Cost of goods sold and services rendered	1,273,214,949,363	1,458,093,153,042
Reversal of provision for obsolete inventories	<u>(1,185,326,864)</u>	<u>(3,337,722,664)</u>
TOTAL	<u>1,272,029,622,499</u>	<u>1,454,755,430,378</u>

22. FINANCE EXPENSES

	VND	
	<i>Current year</i>	<i>Previous year</i>
Foreign exchange losses	11,903,625,412	4,833,178,412
Loan interests	<u>8,120,811,733</u>	<u>7,935,437,715</u>
TOTAL	<u>20,024,437,145</u>	<u>12,768,616,127</u>

23. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	<i>Current year</i>	<i>Previous year</i>
Selling expenses	12,579,944,135	21,113,759,101
Expenses for external services	12,579,944,135	20,086,868,703
Others	-	1,026,890,398
General and administrative expenses	116,632,182,484	128,925,810,508
Labour cost	87,916,587,720	94,597,027,277
Expenses for external services	10,696,667,177	11,876,197,093
Depreciation and amortization of fixed assets	7,470,604,603	8,611,326,272
Others	<u>10,548,322,984</u>	<u>13,841,259,866</u>
TOTAL	<u>129,212,126,619</u>	<u>150,039,569,609</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

24. OTHER INCOME AND EXPENSES

	VND	
	Current year	Previous year
Other income	2,723,657,824	1,371,536,686
Disposal fixed assets	1,643,885,950	-
Others	1,079,771,874	1,371,536,686
Other expenses	(181,826,598)	(3,517,201,640)
Penalty	(12,045,817)	(1,476,993,220)
Others	(169,780,781)	(2,040,208,420)
NET OTHER PROFIT (LOSS)	<u>2,541,831,226</u>	<u>(2,145,664,954)</u>

25. PRODUCTION AND OPERATING COSTS

	VND	
	Current year	Previous year
Raw materials	757,794,877,978	997,693,232,827
Labour costs	515,901,726,316	510,478,498,549
Expenses for external services	70,381,308,477	76,863,540,304
Depreciation and amortization of fixed assets (Notes 8 and 9)	26,094,383,040	27,211,767,831
Others	17,363,310,235	19,652,824,163
TOTAL	<u>1,387,535,606,046</u>	<u>1,631,899,863,674</u>

26. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") rate applicable to the Company and subsidiaries are as follows:

- ▶ The statutory CIT rate applicable to the Company and Sai Gon Tuong Long Co., Ltd. is 20% of taxable income.
- ▶ Garmex Quangnam Company Limited ("Garmex Quangnam"), the Company's subsidiaries, is subject to CIT at 20% on taxable income. Garmex Quangnam is entitled to an exemption from CIT for four (4) years commencing from the first year in which a taxable income is earned (2017) and a 50% reduction of the applicable CIT rate for the following nine (9) years for income from expansion investment project in Ha Lam – Cho Duoc Industrial Park, Thang Binh District, Quang Nam Province.
- ▶ Tan My Garment Co., Ltd. ("Tan My"), the Company's subsidiaries, is subject to CIT at 15% on taxable income in the first twelve (12) years from the first year in which revenue is generated (2008), and the prevailing tax rates for the years thereafter as current regulations. Tan My is entitled to an exemption from CIT for three (3) years commencing from the first year in which a taxable income is earned (2010) and a 50% reduction of the applicable CIT tax rate for the following seven (7) years.
- ▶ Blue Saigon LLC, Garmex Quangnam's subsidiaries, established in the United States of America, has the obligation to pay Federal CIT at the rate of 21% of taxable income and State CIT at the lower of 8.84% of taxable income or USD 800.

The tax returns filed by the Company and its subsidiaries are subject to examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the consolidated financial statements could change at a later date upon final determination by the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

26. CORPORATE INCOME TAX (continued)

26.1 CIT expense

	VND	
	Current year	Previous year
Current tax expense	11,045,475,631	28,022,384,975
Adjustment for under accrual of tax from prior years	-	1,764,306,858
	<u>11,045,475,631</u>	<u>29,786,691,833</u>
Deferred tax expense	7,448,134,056	629,762,182
TOTAL	<u>18,493,609,687</u>	<u>30,416,454,015</u>

A reconciliation between CIT expenses and the accounting profit multiplied by CIT rate is presented below:

	VND	
	Current year	Previous year
Accounting profit before tax	<u>64,907,726,494</u>	<u>134,865,495,349</u>
At CIT rate applicable to companies in the Group	12,850,191,315	26,157,267,110
<i>Adjustments:</i>		
Non-deductible expenses	151,596,632	281,712,190
Foreign exchange losses (gains) arising from revaluation of monetary accounts denominated in foreign currency	157,896,502	(63,146,149)
Dividend income	(4,042,560)	-
Unrealised profits	-	(350,942,245)
Provision for doubtful receivables	2,378,314,224	936,775,185
Provision for investments	-	(1,708,046,125)
Shares of loss of an associate	512,486,186	-
Provisions for obsolete inventories	(166,526,166)	-
Tax loss not yet recognised deferred tax	2,649,440,744	4,216,188,698
Adjustment for under accrual of tax from prior years	-	1,764,306,858
CIT incentive during the year	(35,747,190)	(817,661,507)
CIT expenses	<u>18,493,609,687</u>	<u>30,416,454,015</u>

26.2 Current tax

The current CIT payable is based on taxable income for the current year. The taxable income of the Group for the year differs from the profit as reported in the consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

26. CORPORATE INCOME TAX (continued)

26.3 Deferred tax

The following are the deferred tax assets (deferred tax liabilities) recognized by the Group and the movements thereon during the current and previous years:

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
	VND			
Accrual for severance pay	1,804,083,900	1,993,818,349	(189,734,449)	593,818,349
Provision for investments	(3,746,622,085)	(1,210,422,074)	(2,536,200,011)	1,708,046,125
Provision for doubtful receivables	(5,412,057,329)	(689,857,733)	(4,722,199,596)	(2,931,626,656)
Net deferred tax (liabilities) assets	(7,354,595,514)	93,538,542		
Deferred tax expense charge to consolidated income statement			(7,448,134,056)	(629,762,182)

27. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties during the year were as follows:

Related party	Relationship	Transaction	VND	
			Current year	Previous year
Binh Thanh Import Export Production & Trade JSC	Same key personnel	Processing fee	124,609,858,400	-
		Penalty expenses	86,554,890	-
Transimex Corporation	Same key personnel	Transportation fee	2,455,394,453	2,926,026,284
Phu My Joint Stock Company	Associate	Purchase of services	448,151,010	707,627,520

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

27. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due from and due to related parties at the balance sheet dates were as follows:

Related party	Relationship	Transaction	Ending balance	VND
				Beginning balance
Short-term trade receivable				
Binh Thanh Import Export Production & Trade JSC	Same key personnel	Processing fee	<u>32,084,326,213</u>	<u>-</u>
Short-term trade payables				
Transimex Corporation	Same key personnel	Transportation fee	250,667,579	834,650,622
Binh Thanh Import Export Production & Trade JSC	Same key personnel	Penalty expenses	73,005,855	-
Phu My Joint Stock Company	Associate	Purchase of materials	<u>63,376,192</u>	<u>57,197,932</u>
			<u>387,049,626</u>	<u>891,848,554</u>

Remuneration to members of the Board of Directors, Management and the Board of Supervision during the year was as follows:

	VND	
	Current year	Previous year
Salary and remuneration	<u>7,219,280,094</u>	<u>7,226,516,058</u>

28. OFF CONSOLIDATED BALANCE SHEET ITEM

	Ending balance	Beginning balance
Foreign currency:		
- United States dollar (USD)	24,867,842.10	8,956,358.06

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2020 and for the year then ended

29. EVENTS AFTER THE BALANCE SHEET DATE

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



Nguyen Thi Diem
Preparer



Tran Thi My Hanh
Chief Accountant



Le Hung
General Director

2 April 2021

