



**ANNUAL
REPORT 2019**

“ Investor’s reliable choice ”



CONTENTS

CHAPTER 1. GENERAL INFORMATION	5
General information	6
Incorporation and development process	8
Business lines and location	10
Information about governance model, business organization and management	12
Development orientation	20
Risk factors	22
CHAPTER 2. THE COMPANY'S BUSINESS OPERATION IN 2019	26
Overview of the World and Vietnam economy	28
Overview of Textile and Garment industry	29
Business and manufacturing activities	30
Organization and Human Resources	32
Investment and Project Implementation	44
Financial situation	46
Shareholder Structure, Change in Owner's Equity	50
CHAPTER 3. MANAGEMENT BOARD'S ASSESSMENT REPORT 2019	54
Business environment in 2019	56
Financial situation	60
Progress in respect of organizational structure, policies, management	62
Future development plan	64
Report On Sustainable Development	66
CHAPTER 4. ASSESSMENT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS PERFORMANCE IN 2019	72
Assessment on the World economic situation and Vietnam economy in 2019	74
Assessment on the textile and garment situation in 2019	75
Assessment of the Board of Directors on The Company's Business performance in 2019	76
Assessment of the Board of Directors on Board of Management performance	77
Plan and direction of the Board of Directors	78
CHAPTER 5. CORPORATE GOVERNANCE	80
Member and structure of Board of Directors	82
Activities of the Board of Directors	
Transactions, remuneration and interests of the Board of Directors, Board of Management and Board of Supervisors	87
CHAPTER 6. SUPERVISORY BOARD'S REPORT IN 2019	92
Member of Supervisory Board	94
Activities of Supervisory Board	94
PHẦN 7. FINANCIAL REPORT	100
Financial report	102



GARMEX Saigon js

CHAPTER 1

GENERAL INFORMATION

- » General information
- » Incorporation and development process
- » Business lines and location
- » Information about governance model, business organization and management
- » Development orientation
- » Risk factors

- Trading name: Garmex Saigon Corporation
- Name in English: Garmex Saigon Corporation
- Abbreviated name: Garmex Saigon
- Enterprise registration certificate No. 0300742387, issued by the Department of Planning and Investment of Ho Chi Minh City for the first time on January 07, 2004 and amended for the 17th time on February 14, 2020.
- Charter capital: 178,809,280,000 dong (according to the audited consolidated financial statements in 2019)
- Owner's equity as of December 31, 2019: 483,424,966,903 dong
- Address: 252 Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City
- Telephone: (028) 3984 4822
- Fax: (028) 3984 4746
- Website: www.garmexsaigon-gmc.com
- Email: headoffice@garmexjs.com
- Stock code: GMC

GENERAL INFORMATION



INCORPORATION AND DEVELOPMENT PROCESS

1976 ◀

The company was incorporated in 1976 - one year after the country's reunification - under the name of the Union of Ho Chi Minh City Garment Enterprises, which managed a large number of export garment factories in Ho Chi Minh City. The Company's head office was then located at 213 Hong Bang, District 5, Ho Chi Minh City, Vietnam.

2004 ◀

In 2004, Garmex Saigon was equitized. Until that time, Garmex Saigon was operating with 3 subordinate enterprises, including An Nhon Garment Factory, An Phu Garment Factory, Binh Tien Garment Factory. The Company's head office was located at 236/7 Nguyen Van Luong, Ward 17, Go Vap District, HCMC, Vietnam.

2012 ◀

In 2012, Garmex Saigon was awarded Performance Excellence Cup by Columbia Sportswear (USA) for outstanding achievements in quality, delivery time, sample development ability, and social community responsibility during the Annual Summit held in HCMC.

▶ 1993

In 2013, the Union of Ho Chi Minh City Garment Enterprise was reorganized as Saigon Garment Import-Export Manufacturing Company (Garmex Saigon).

▶ 2006

In 2006, Garmex Saigon was listed on Ho Chi Minh City Stock Exchange (HoSE) with stock code of GMC. The Company's head office was still located at 236/7 (now changed as No. 252) Nguyen Van Luong, Ward 17, Go Vap District, HCMC, Vietnam.

2019 ◀

The Company continued to win the prize: Top 5 best annual reports in the group of small capitalization and Top 5 enterprises with the best corporate governance in the group of small capitalization.

In July, 2019, the Company's Charter capital was increased to 178,809,280,000 dong by issuing dividend stocks.

On November 13, 2019, the Company obtained Certificate of Registration of Shares Offering to Public no. 21/GCN-UBCK issued by the Chairman of SSC. Number of shares expected to be issued would be 8,916,157 shares, Charter capital (estimated) after the issuance would be 267.9 billion dong.

2014 ◀

In 2014, Garmex Saigon was once again awarded the 2nd Performance Excellence Cup by Columbia Sportswear (USA) for outstanding achievements in quality, delivery time, sample development ability, and social community responsibility during the Annual Summit held in Hanoi. Garmex Saigon continued to be honorably voted by Forbes Vietnam Magazine as one of the Vietnam's 50 best-performing companies (Top 50).

▶ 2018

The Company won the prize: Top 5 best annual reports in the group of small capitalization and Top 5 enterprises with the best corporate governance in the group of small capitalization.

▶ 2013

In 2013, Garmex Saigon was honored to obtain the Labor Medal Grade 3 thanks to its achievements in production and business activities and taking care of the life of laborers. In the same year, Garmex Saigon was also honored to be voted by Forbes Vietnam Magazine as one of the Vietnam's 50 best-performing companies (Top 50).



BUSINESS LINES AND LOCATION

Business lines

- Making clothes, except for clothes made of leather and fur; main products are all kinds of ready-made clothes.
- Retailing clothes, footwear, utensils, hardware, cosmetics, jewelry, toys, sportswear.
- Retailing garments, footwear, leather and leatherette goods in specialized stores.

Business location

- The company's major export markets are Europe, US, Japan,

Main customer

- Some key customers of the Company include: Decathlon (France), Columbia (US), Cutter&Buck (US), Teijin Frontier (Japan), Sport Master (Russia), Outfits (Denmark)



DECATHLON

Columbia

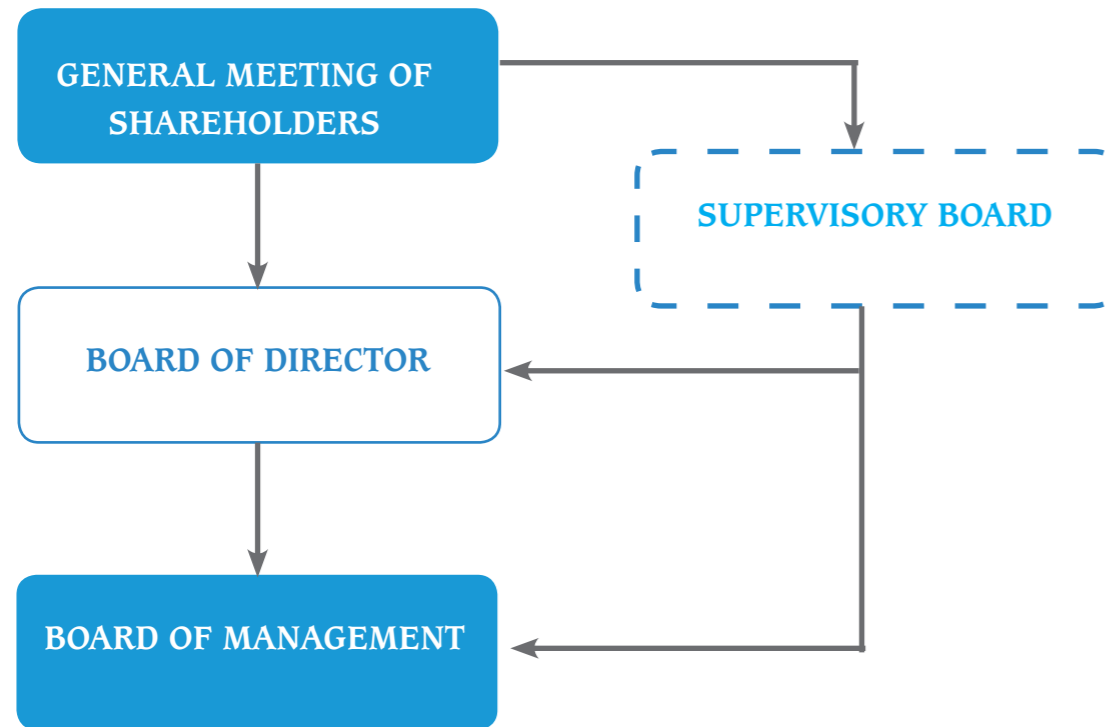
CUTTER & BUCK

TEIJIN
Human Chemistry, Human Solutions



INFORMATION ABOUT GOVERNANCE MODEL, BUSINESS ORGANIZATION AND MANAGEMENT

Governance model



The Company's operation follows the model of joint stock company which is organized in accordance with the Law on Enterprises and the Company's Charter comprising:

General Meeting of Shareholders: including all shareholders with voting right. This is the supreme regulatory body.

Board of directors: is the decision-making body of the Company with the right to be on behalf of the Company to decide all issues related to the Company's purpose, interests except the issues under the power of the General Meeting of Shareholders.

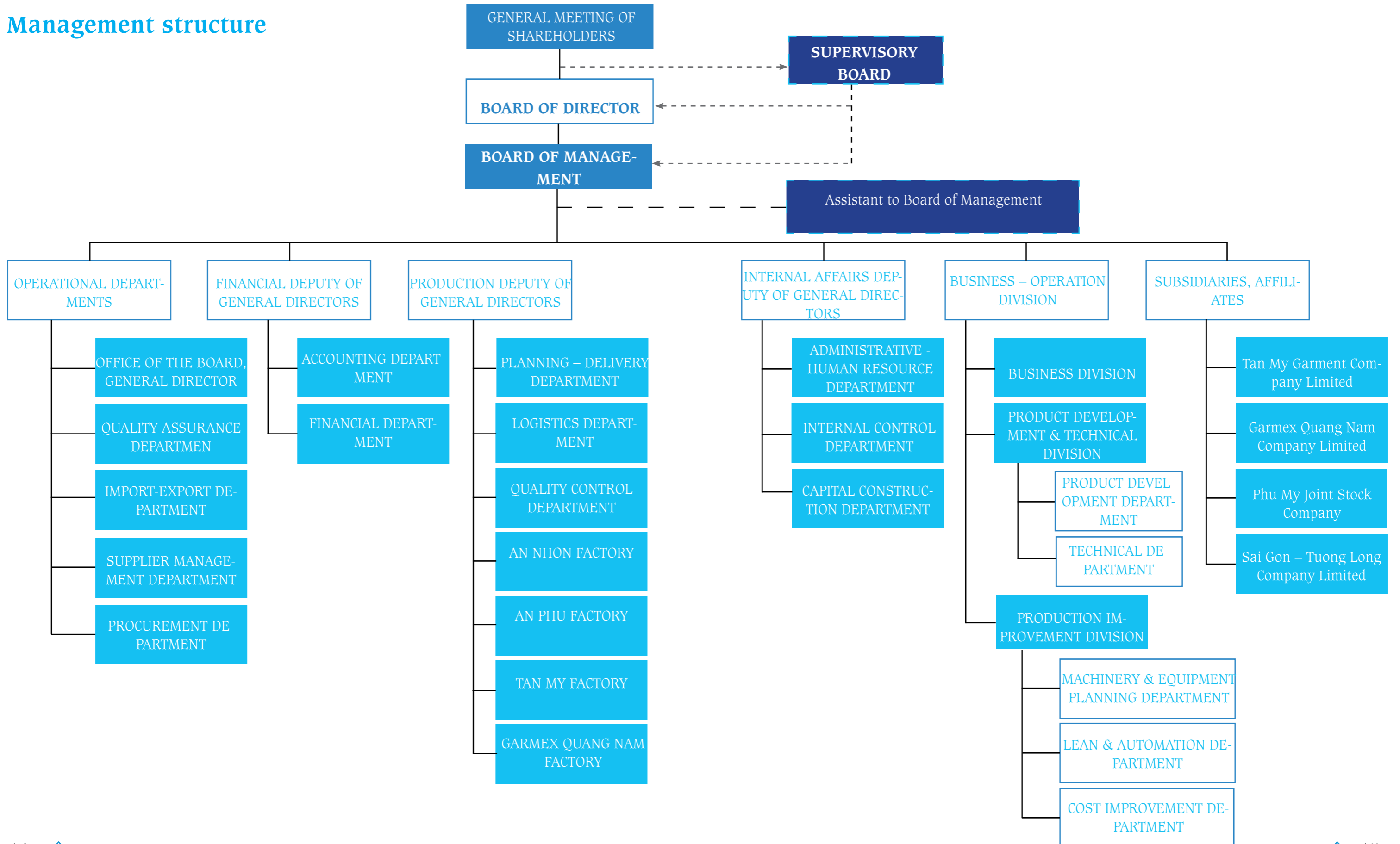
Board of management: Is the managing body of the Company and take responsibility to the Board of Directors for implementing all given rights and tasks.

Supervisory board: On behalf of the shareholders to perform the tasks of controlling all business, administration and management activities of the Company.



INFORMATION ABOUT GOVERNANCE MODEL, BUSINESS ORGANIZATION AND MANAGEMENT

Management structure



INFORMATION ABOUT GOVERNANCE MODEL, BUSINESS ORGANIZATION AND MANAGEMENT

Subsidiaries



Tan My Garment Company Limited

- Address: Hac Dich Small Handicraft - Industrial Cluster, Trang Cat Quarter, Hac Dich Ward, Phu My Town, Ba Ria - Vung Tau Province, Vietnam
- Actual contributed capital: 15,000,000,000 dong
- Percentage of holding: 100%
- Business lines: Garment manufacture
- Major markets: US, Europe, Australia
- Main Customers: Columbia Sportswear (US), Cutter&Buck (US), Decathlon (France), New Wave (Sweden)
- Area: 50,000 m2
- Operational capabilities: 36 lines



Garmex Quang Nam Company Limited

- Address: 252 Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City
- Actual contributed capital: 86,000,000,000 dong
- Percentage of holding: 100%
- Business lines: Garment manufacture
- Garmex Quang Nam Company Limited's branches:



**Garmex Quang Nam Company Limited:
Garmex Quang Nam's garment factory**

- Address: Lot B/B2, Ha Lam Cho Duoc, Industrial Cluster, Binh Phuc Commune, Thang Binh District, Quang Nam Province.
- Major markets: US, Europe, Australia
- Main Customers: Columbia Sportswear (US), Decathlon (France)
- Area: 26,000 m2
- Operational capabilities: 30 lines

Garment trading company in US (Blue Saigon LLC) - 100% capital contributed by GARMEX QUANG NAM Company Limited



Sai Gon – Tuong Long Company Limited

- Address: No. 05 Thong Nhat Boulevard - Song Than Industrial Park 2, Di An Ward, Di An Town, Binh Duong Province, Vietnam.
- Charter capital: 20,000,000,000 dong
- Percentage of holding: 51%
- Main business lines: Trading, producing clothing of all kinds

Affiliates

Phu My Joint Stock Company

- Phu My Joint Stock Company was incorporated under the Business Registration Certificate No. 4903000177 dated July 13th, 2005 issued by Ba Ria - Vung Tau Department of Planning & Investment and its amendments.
- Address: Trang Cat Quarter, Hac Dich Ward, Phu My Town, Ba Ria - Vung Tau Province, Vietnam
- Business lines: Doing business in infrastructure of industrial park and industrial cluster.
- Percentage of holding: 32.67% of Charter capital
- Investment amount: 4,341,000,000 dong



INFORMATION ABOUT GOVERNANCE MODEL, BUSINESS ORGANIZATION AND MANAGEMENT

Nhà máy



An Nhon Garment Factory

- Address: 252 Nguyen Van Luong, Ward 17, Go Vap District, Ho Chi Minh City
- Area: 14,000 m2
- Operational capabilities: 15 lines
- Major markets: US, Europe, Japan
- Main Customers: Columbia Sportswear (US), Cutter&Buck (US), New Wave (Sweden), Teijin Frontier (Japan), Nits (Japan), Sport Master (Russia), Outfits (Denmark).



An Phu Garment Factory

- Address: 14/5 National Road 22, Chanh Hamlet 2, Tan Xuan Commune, Hoc Mon District, Ho Chi Minh City
- Area: 14,000 m2
- Operational capabilities: 20 lines
- Major markets: US, Europe
- Main Customers: Decathlon (France), Co-lumbia Sportswear (US), Cutter&Buck (US), New Wave (Sweden), Seal-and (Denmark)



DEVELOPMENT ORIENTATION

Main objectives of the Company



Market: Taking full advantage of resources to develop export markets; sustainably maintaining prestige among traditional customers like US, France, Japan, etc.; strengthening cooperative relationship with current customers, expanding relationship with other potential markets.



Product quality: Ensuring all workers are highly skilled and qualified; investing in specialized and automatous apparatus to pursue products of high quality with high technology.



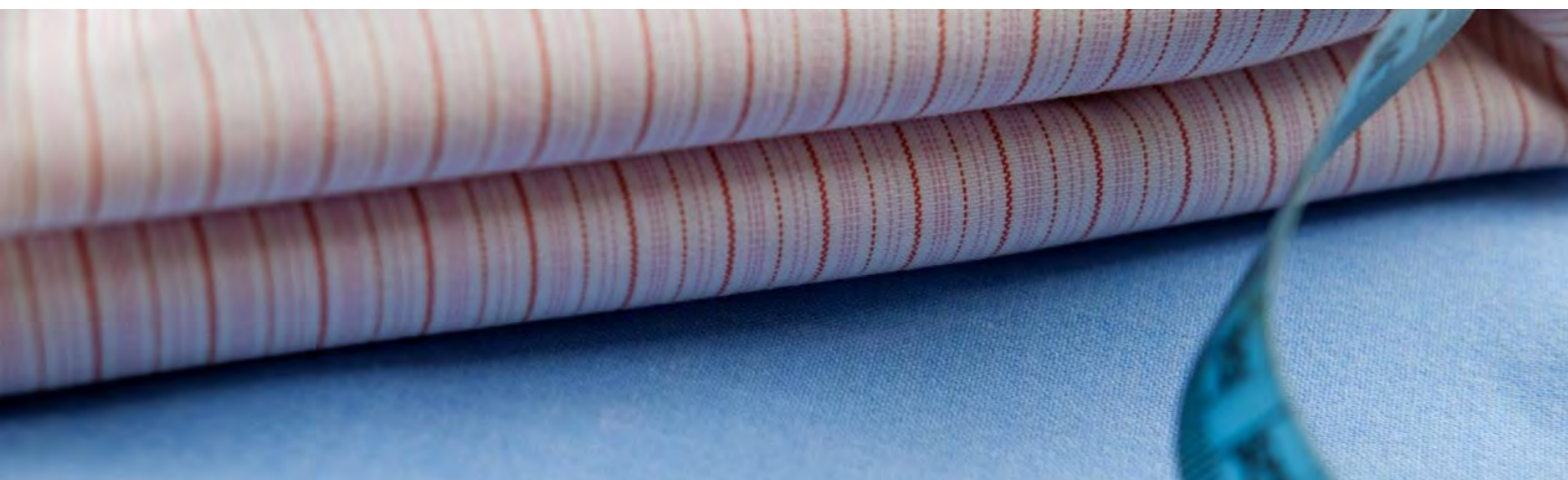
Management system: Continuing to complete Lean production model - conducting Lean & Automation, 5S (Selective - Arranging - Clean - Available), together with 3P development strategy (Performance - Product - Price) in order to enhance labor productivity, product quality and business efficiency.



Manufacturing capabilities: Investing to develop human resources with orientation that consider people as key element along with machinery investment. FOB selling method plays a key role to pursue ODM method (Original Design - Manufacturer).

Medium and long-term development strategies

- Enhancing manufacturing capabilities at the Company's factories up to 150 lines by 2024.
- Improving management and manufacturing system on the basis of optimizing the company resources to follow the principle of "Intensive investment, minimizing labor intension"
- Improving competitive advantage in the export market with products of high quality which has complicated models and technological innovations.



Culture: Building a corporate culture under the guidance of "Workforce is the valuable resource of the Enterprise", taking care of the employees' material and spiritual life; forming appropriate remuneration, bonus and allowance policies; promoting training - self-training; all employees are encouraged to join training activities, work to their full capabilities and create a friendly working environment which is "together we work - success we share"

Products: Completing the quality of management system and focusing on developing new products to meet customers' requirements; combining the skilled workmanship and advanced technology to higher products' quality, applying diversification models to meet the increasingly high needs of customers.

Environment: The company has always been aware of protecting the environment through fully supervising its operation while perfecting manufacture and operation model toward eco-friendly purpose which avoiding polluting soil, water; in compliance with environmental regulations and policies of the State.

Legal: Strictly complying with the law and international standards related to the Company business which is garment manufacturing and export, ensuring the fulfillment of all commitments to its customers and employees.





RISK FACTORS

Interest rate risk

In 2019, FED cut down interest rate 3 times, lowering this rates to the 1.5 - 1.75% range, which facilitated the State Bank of Vietnam in pursuing its exchange rate stability for the last 6 months of 2019 and continued to create a favorable environment for exchange rate management in 2020. The State Bank continued to target credit growth at 14% for the year 2020 in order to restrict adverse impacts on the exchange rates and the overall economy.

The Company's bank debt accounted for 24% of its total assets. Leveraging debt to fund the Company's large working capital is typical for FOB-manufacturing industry. Thus, in order to limit effect caused by the interest rate risk on the Company's performance, it developed plans for reasonable production costs, reduced pressure on working capital, and lower interest expenses. At the same time, the Company has regularly monitored, analyzed the market and assessed interest rate fluctuations to prepare appropriate manufacturing plans, ensuring stable revenue and profit for the Company.

Economic risk

2019 was the second year of the US-China Trade War and the global economy continued to slow down. The global economy in 2019 increased by about 2.9%, 0.8% lower than that of 2018. According to the World Bank, the growth rate of the world's economy would be likely at 2.5% in 2020. The forecast may be lower if negotiations between the two large economies fail to reach any agreement, Brexit still prolongs and SARS-COV-2 pandemic is unpredictable.

Political uncertainties, increasing protectionism, and tax reforms are expected to adversely affect global investment trends. However, Vietnam economy in 2019 continued to stably grow at a rate of 7.02% in which garment export was \$39 billion, 7.55% higher than in a year earlier. In 2019, regardless the world economy fluctuation, the global commerce slowed down, Vietnam economy's achievement as mentioned above is quite encouraging.

With main business activity is exportation, Garmex Saigon relies significantly on local and overseas economies because it is impacted directly from consumers' need. Therefore, the Company always keep close track, update the economic situations to timely make decisions against issues affecting its own business and manufacturing activities. In addition to equipping itself with specialized machinery, the Company has invested in a Design Center, gradually turn from ODM selling method to OBM in order to increase the profitability for the Company and seize opportunities from international trade agreements such as CPTPP and EVFTA.



RISK FACTORS

Industry typical risk

Materials

Raw materials of Vietnam's textile and garment industry were mainly imported because domestic supply failed to meet the quantity and quality requirements. The import of raw materials will result in higher production costs, lower business profits if there is any fluctuations in the raw material prices and also affect the production time of textile and garment companies having raw materials imported.

The Company earned revenue mainly from FOB orders of which raw materials were mainly from China, so it has exposed to much of risks relating to raw materials prices. To minimize this risk, the Company has coordinated closely with the suppliers appointed by its customers in order to make a specific plan for material supply by each order. Also, the Company has worked with the suppliers to stabilize and enhance their supply sources. Together, it has been on the way to switch its own business approach so that it could be more proactive in its input source, avoiding manufacturing disruption.

Workforce

Labor cost makes up more than 50% of the Company's total production cost due to its characteristics of labor intensity. In 2019, the Decree no.90/2019/NĐ-CP stipulating region-based minimum wages applied to employees working under labor contracts was issued and would come into effect on 01/01/2020, causing impact on labor cost incurred by textile and garment enterprises. Therefore, Vietnam's competitive advantage of low labor cost become weaker and weaker; facilitate Myanmar, Egypt, Morocco, Tunisia, etc., which results in less orders for Vietnam. Besides, stable labor quality has also been the Company's top concern because the requirements of export markets have been getting stricter, requiring skilled workers. In addition, foreign-invested enterprises are attracting skilled workforce of garment and textile enterprises, which mean that the Company's resources are affected, with more time spent on training new comers, causing difficulties for enterprises in the textile industry in general and Garmex Saigon in particular.

Currently, the Company has been implementing the policy of "investment intensity rather than labor intensity", with more money spent on specialized machinery and equipment, and gradually automating its production to avoid risks of labor fluctuations. Simultaneously, the Company constantly improved its employees' lives through remuneration, bonus and allowance policy.

Exchange-rate risk

In 2019, the USD/VND exchange rate remained stable around VND 23,000 thanks to the monetary policy of the State Bank of Vietnam except for a slight increase in May 2019 due to the instability of the US - China Trade war. The war was an unexpected element which influenced the USD/VND exchange rate.

With its operation involving garment export and raw materials import, the Company was also seriously affected by exchange rate fluctuations. Therefore, it has always been engaged in short-term exchange rate transactions, using the spot exchange rate when buying and selling foreign currencies to pay orders and get payments from customers.

Other risk

In addition to the above risks, other risks may also occur as force majeure cases such as natural disasters, floods, fires, epidemic etc. These risks are often very rare, but difficult to forecast and once arisen, often cause great damage to the Company in terms of people and assets. Hence, in order to minimize possible effects, the Company take proactive measures by covering its employees and assets with insurance; renovating its infrastructure facilities, equipping safety equipment as prescribed and organizing training sessions on necessary skills for its employees to ensure safety when risks occur, always promptly responding and being poised to prevention.

Legal risk

With main operation in garment manufacturing and exporting field, the Company is governed by International Law and regulations and policies for the textile and garment industry. Additionally, the Company runs by the operation of Law on Enterprises, Law on Securities and other applicable legal documents. Any change in legal regulations, policies made by the State in relation to textile and garment and International laws can make significant impact on the company's business and manufacturing activities in particular and the textile and garment industry in general.

Currently, the Government has promulgated a new Securities Law which came into effect on January 1, 2021 aiming at improving the business environment and completing the standards of activities in this field. In addition, the Vietnamese legal framework has undergone the supplementing, adjusting and perfecting stage to reflect the actual situation, creating a more civilized and transparent business environment, attracting overseas investment capital.

In order to prevent the effects caused by legal risks, the Company has always closely kept updated with new regulations, thereby can make appropriate changes in management policies and business strategies for the Company.





CHAPTER 2

THE COMPANY'S BUSINESS OPERATION IN 2019

- » Overview of the World and Vietnam economy
- » Overview of Textile and Garment industry
- » Business and manufacturing activities
- » Organization and Human Resources



OVERVIEW OF THE WORLD AND VIETNAM ECONOMY

In 2019, the global economy did encounter many challenges and difficulties, not only from the US-China trade war but also from the Brexit process and geopolitical tensions, resulting in the slowdown of global economy. In order to stimulate the economy, FED made 3 rate cuts, lowered it to 1.5% - 1.7% range. However, in summary, the global economy growth rate in 2019 was about 2.9%, 0.8% lower than in 2018.

In contrary, Vietnam's GDP increased by 7.02%, exceeding the Assembly's targets set out at the beginning of the year which was between 6.6-6.8%. This was Vietnam's two straight years of above 7% GDP growth rate.



OVERVIEW OF TEXTILE AND GARMENT INDUSTRY

The competition among textile countries has been getting severer due to the prolonged US-China trade war, resulting in lower demand for imported garments in the world. Customers directed their orders towards countries with lower labor costs such as Myanmar, Bangladesh, India. Also, some countries has given a lot of support to their textile and garment industry, contributing to enhance their own competitiveness. India has been an typical example where various mechanisms have been applied to enable their textile and garment to fully attain its exportation and production potential. In addition, African manufacturers was being supported by the International Trade Centre (ITC) through global textile and garment program.

As a matter of fact, Vietnam's cheap labor cost competitive advantage has been weaker and weaker, thus, textile and garment export failed to meet its target. According to the Vietnam Textile & Apparel Association, total textile and garment export in 2019 reached \$39 billion, 7.55% higher than in 2018 but lower than the target of \$40 billion set by the Vietnam Textile & Apparel Association (Vitas). The number of orders obtained by textile and garment export enterprises were lower, customers' orders were mainly short-term rather than long-term from 3 to 6 months. As reported by the Ministry of Industry and Trade, the number of orders for Q4/2019 of many enterprises were equal to only 80% of the previous period.

In effect, Vietnam has been facilitated Vietnam enterprises on its completion of entering into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, requirement on yarn origin principle of the CPTPP Agreement appears the biggest obstacle towards garment enterprises in Vietnam when most of the input materials have been imported from China which is outside the scope of CPTPP. This is because domestic materials have not been enough for production and Vietnam' garment companies have to rely mostly on external sources.



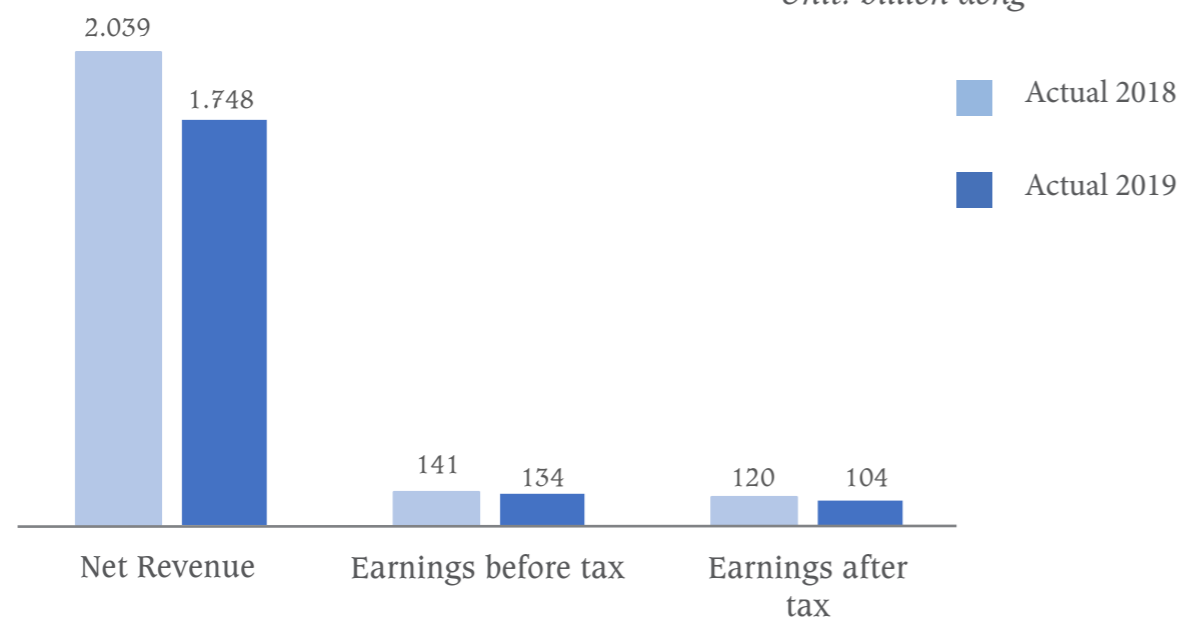
BUSINESS AND MANUFACTURING ACTIVITIES

Unit: million dong

No.	Parameter	Actual 2018	Actual 2019	Change (%) 2019 compared to 2018
1	Net Revenue	2,038,901	1,747,771	-14.28%
2	Cost of goods sold	1,675,340	1,454,755	-13.17%
3	Revenue from financial activities	17,133	6,804	-60.29%
4	Financial, selling, and administrative expenses	242,085	162,808	-32.75%
5	Operating profit	138,900	137,011	-1.36%
6	Other profit	2,562	-2,146	-183.76%
7	Earnings before tax	141,462	134,865	-4.66%
8	Earnings after tax	120,399	104,449	-13.25%
9	Earnings per share (dong/share)	6,782	5,858	-13.62%

The result of Business and manufacturing activities

Unit: billion dong



In addition to competing with countries having cheaper labor costs, the Company also faced up with the competition for skilled labor with foreign-invested companies (FDI). For such difficulties, the Board of Management used its best endeavors to develop and implement measures to minimize the factors affecting the Company's business operations such as:

- The manufacturing processes have been improved, the quality management system has been constantly bettered, leading to lower production costs.
- Good management of the supply chain; making and updating suitable plans for each order to more intensively control the consumption of raw materials, timely supplying, reducing time waiting for jobs and production interruption.

- The company assessed and restructured operation of each department to pursue more effective business operations.

In 2019, the Company's revenue was 1,748 billion dong, 14.28% lower than in 2018, earnings before tax reached 135 billion dong, 4.66% lower than in 2018. In which, operating profit was 137 billion dong, only reduce by 1.36% in comparison with that of 2018.

Parameter	Unit	Actual 2017	Actual 2018	Expected 2019	Actual 2019	Actual 2019/ Expected 2019	Change 2019 compared to 2018 (%)
Net Revenue	Million dong	1,605,048	2,038,901	1,900,000	1,747,771	91.99%	-14.28%
Earnings before tax	Million dong	74,811	141,462	78,000	134,865	172.90%	-4.66%
Earning before tax/ Net revenue	%	4.66%	6.94%	4.11%	7.72%	187.96%	11.22%
Dividend/Charter Capital	%	30%	30%	20% - 30%	-	-	-

2019 was a tough year for the textile industry in the context of fierce competition. Facing challenges, the management and all employees of the Company were constantly striving to complete the tasks set by the General Meeting of Shareholders from the beginning of the year. In 2019, the Company's revenue was 1,748 billion dong, earnings before tax reached nearly 135 billion dong. In spite of a worse business performance than in 2018, it was remarkably to note that earnings before tax far exceeded the targets by 72.90%. Such achievement derived from the timely solutions taken by the management to restructure the Company's functional divisions and well manage supply chain for cost savings.



ORGANIZATION AND HUMAN RESOURCES

Structure of the management

BOARD OF DIRECTORS

No.	Member	Position	Number of shares hold (according to the list closed on December 3, 2019)	Percentage of Charter capital	Remark
1	Mr. Bui Tuan Ngoc	Chairman	2,827,222 shares	15.81%	Representing ownership of Thien Hai Investment and Trading Co., Ltd
			836,130 shares	4.68%	Representing ownership of Toan Viet Investment JSC
2	Mr. Bui Minh Tuan	Member	2,709,031 shares	15.15%	Representing ownership of T.T.A Investment JSC.
3	Mr. Le Hung	Member	0 share	0.00%	
4	Mr. Nguyen Viet Cuong	Member	0 share	0.00%	
			940,596 shares	5.26%	Individual ownership
5	Mr. Lam Thu Thanh	Member	502,331 shares	2.81%	Representing ownership of Tan A Co., Ltd
			502,331 shares	2.81%	Representing ownership of Asia Trading Co., Ltd
6	Mrs. Nguyen Minh Hang	Member	18,479 shares	0.10%	Individual ownership
7	Mrs. Nguyen Thi Thu Huong	Member	45,183 shares	0.25%	Individual ownership

SUPERVISORY BOARD

No	Member	Position	Number of shares hold (according to the list closed on December 3, 2019)	Percentage of Charter capital
1	Mrs. Phan Thi Phuong	Head of Supervisory Board	4,531 shares	0.03%
2	Mrs. Le Thi Chin	Member	4,531 shares	0.03%
3	Mrs. Tu Vi Tri	Member	0 share	0.00%

BOARD OF MANAGEMENT

No.	Member	Position	Number of shares hold (according to the list closed on December 3, 2019)	Percentage of Charter capital
1	Mr. Le Hung	General Director	0 share	0.00%
2	Mrs. Nguyen Thi Thu Huong	Deputy of General Director	45,183 shares	0.25%
3	Mrs. Nguyen Minh Hang	Deputy of General Director cum Financial Manager	18,479 shares	0.10%
4	Mrs. Nguyen Thi Thu Ha	Deputy of General Director	0 share	0.00%

(*) The number of shares held is updated according to the list of shareholders closing on December 3, 2019



ORGANIZATION AND HUMAN RESOURCES

Profile

BOARD OF DIRECTORS

BUI TUAN NGOC
Chairman of Board of
Director

Date of birth: 21/02/1965

Qualification: Construction Engineer; Bachelor of Foreign Trade Economics

Working experience:

- 1988 – 1992: Officer of Basic Construction Factory - Ministry of Fisheries
- 1992 – 1993: Officer at Ho Chi Minh City Trading Manufacturing Services Union
- 1993 – 1994: Officer at Vietnam - Soviet Joint Venture Commercial Center, Ho Chi Minh City (ROS-VIETIMPEX)
- 04/2008 - present: Chairman of Board of Directors, Transimex Joint Stock Company
- 2009 - present: Chairman of Board of Directors, Toan Viet Investment Joint Stock Company
- 2012 - present: Chairman of Board of Directors, Vina Printing and Trading Joint Stock Company
- 07/2016 - present: Vice-chairman of Board of Directors, CHOLIMEX
- 05/12/2018 - present: Chairman of Board of Directors, Garmex Saigon Corporation

Current Position: Chairman of Board of Directors, Garmex Saigon Corporation

Position in other organizations:

- Chairman of Board of Directors, Transimex Joint Stock Company (TMS)
- Chairman of Board of Directors, Toan Viet Investment Joint Stock Company
- Chairman of Board of Directors, Vina Printing and Trading Joint Stock Company
- Vice-chairman of Board of Directors, CHOLIMEX (CLX)
- Chairman of Board of Directors, ViNa Investment JSC
- Representing ownership of Thien Hai Investment and Trading Co., Ltd

Total number of shares hold

- Individual ownership: 0 share
- Representing ownership of Toan Viet Investment JSC: 836,130 shares, equivalent to 4.68% of charter capital.
- Representing ownership of Thien Hai Investment and Trading Co., Ltd: 2,827,222 shares, accounting for 15.81% of Charter capital

LE HUNG

Member of Board of Director,
Cum General Director

Date of birth: 24/08/1974

Qualification: Bachelor degree with major in Business Administration

Working experience:

- 05/2010 - 04/2011: General Director - Binh Thanh Import - Export Production & Trade JSC
- 04/2011 - present: General Director - Binh Thanh Import - Export Production & Trade JSC
- 05/12/2018 - present: Member of Board of Directors cum General Director, Garmex Saigon Corporation

Current Position: Member of Board of Directors cum General Director, Garmex Saigon Corporation

Position in other organizations:

- Chairman of Board of Directors, General Director - Binh Thanh Import - Export Production & Trade JSC (GIL)
- Member of Board of Directors, Gia Dinh Textile And Garment Corporation (GID)

Total number of shares hold:

Individual ownership: 0 share

BUI MINH TUAN
Member of Board of
Director

Date of birth: 28/02/1971

Qualification: Master of Finance - Banking

Working experience:

- 2002 – 2013: Director of NewLand Investment Co., Ltd
- 2007 - present: Director of ViNa Investment JSC
- 2013 - present: Member of Board of Directors, Transimex Joint Stock Company
- 07/2016 - present: Vice-chairman of Board of Directors, CHOLIMEX
- 05/2017 - present: Chairman of Board of Directors, Vina Printing and Trading Joint Stock Company
- 05/12/2018 - present: Member of Board of Directors, Garmex Saigon Corporation

Current Position: Member of Board of Directors, Garmex Saigon Corporation

Position in other organizations:

- Director of ViNa Investment JSC
- Member of Board of Directors, Transimex Joint Stock Company
- Member of Board of Directors, CHOLIMEX (CLX)
- Member of Board of Directors, Vina Printing and Trading Joint Stock Company (VPR)
- Chairman of Board of Directors, T.T.A Investment JSC

Total number of shares hold:

- Individual ownership: 0 share
- Representing ownership of T.T.A Investment JSC: 2,709,031 shares, accounting for 15.15% of Charter capital



ORGANIZATION AND HUMAN RESOURCES

BOARD OF DIRECTORS

NGUYEN VIET CUONG
Member of Board of Director

Date of birth: 27/10/1976

Qualification: Bachelor of Economics, Accountant and Auditor (FCCA)

Working experience:

- 1998 – 2002: Senior auditor of KPMG Limited.
- 2003 – 2004: Head of management accounting department at Unilever Bestfoods Vietnam Limited
- 2004 – 2006: Investment Manager of VinaCapital Investment Management Ltd
- 2006 – 2012: Deputy Executive Director of VinaCapital Corporate Finance VN Co.,Ltd
- 2012 - present: Member of Board of Directors of Binh Thanh Import - Export Production & Trade JSC
- 05/12/2018 - present: Member of Board of Directors, Garmex Saigon Corporation

Current Position: Member of Board of Directors of Garmex Saigon Corporation

Position in other organizations:

- Member of Board of Directors of Binh Thanh Import - Export Production & Trade JSC (GIL)
- Member of Board of Directors, Gia Dinh Textile And Garment Corporation (GID)

Total number of shares hold:

Individual ownership: 0 share

LAM TU THANH
Member of Board of Director

Date of birth: 31/05/1958

Qualification: Master of Business Administration

Working experience:

- 1992 - present: Director of Asia Trading Co., Ltd.
- 1995 - present: Director of Tan A Co., Ltd.
- 05/2009 - present: Member of Board of Directors, SGarmex Saigon Corporation.

Current Position:

- Member of Board of Directors, Garmex Saigon Corporation

Position in other organizations:

Vice-Chairman of Board of Directors, Saigon Plastic JSC (NSG)

Total number of shares hold:

- Individual ownership: 940,596 shares, accounting for 5.26% of Charter capital
- Representing ownership of Asia Trading Co., Ltd: 502,331 shares, accounting for 2.81% of Charter capital
- Representing ownership of Tan A Co., Ltd: 502,331 shares, accounting for 2.81% of Charter capital

NGUYEN MINH HANG
Member of Board of Director,
Cum General Director

Date of birth: 18/06/1977

Qualification: Bachelor of Economics

Working experience:

- 01/1999 - 01/2004: Accountant of Saigon Garment Manufacturing Trading Jsc
- 01/2004 - 12/2006: Accountant of Saigon Garment Manufacturing Trading Jsc
- 01/2007 - 02/2008: Deputy of Statistics Accounting Department of Saigon Garment Manufacturing Trading Jsc
- 03/2008 - 5/2009: Head of Statistics Accounting Department of Saigon Garment Manufacturing Trading Jsc
- 06/2009 - 03/2014: Chief Accountant of Saigon Garment Manufacturing Trading Jsc
- 04/2014 - 02/2015: Financial Manager cum Chief Accountant of Saigon Garment Manufacturing Trading Jsc
- 03/2015 – 31/07/2018: Member of Party Committee cum Financial Manager cum Chief Accountant of Saigon Garment Trading Manufacturing Joint Stock Company
- 01/08/2018 - present: Member of Party Committee cum Deputy General Director in charge of Finance and Investment of Garmex Saigon Corporation
- 05/12/2018 - present: Member of Board of Directors cum Deputy of General Director, Financial Manager of Garmex Saigon Corporation

Current Position:

Member of Board of Directors cum Deputy of General Director, Financial Manager of Garmex Saigon Corporation

Total number of shares hold: 18,479 shares, accounting for 0.1% of Charter capital



ORGANIZATION AND HUMAN RESOURCES

BOARD OF DIRECTORS

NGUYEN THI THU HUONG

Member of Board of Director,
Cum General Director

Date of birth: 12/01/1965

Qualification: Bachelor of Economics (major in Management)

Working experience:

- 01/1987 - 07/1987: Worker at Saigon 1 Garment Factory
- 08/1987 - 03/1993: Secretary of Youth Union of Saigon 1 Garment Factory cum Vice-Secretary of Youth Union of Garmex Saigon
- 04/1993 - 04/2000: Secretary of Youth Union cum labor and compensation staff, cum deputy supervisor of Garment 1 Factory
- 05/2000 - 03/2002: Deputy of Organization and Administration Department of Garment 1 Factory
- 03/2002 - 12/2003: Head of Organization and Administration Department of Garment 1 Factory
- 01/2004 - 04/2009: Head of Organization and Administration Department of An Nhon Garmex Factory
- 05/2009 - 05/2010: Standing Committee Member of Party Committee, Vice Chairman of Trade Union of the Company, Deputy General Director in charge of Internal Affairs cum Head of Organization and Administration Department of Saigon Garment Trading Manufacturing Joint Stock Company
- 06/2010 - 31/12/2019: Secretary of Party Committee, Vice-chairman of Company's Trade Union, Member of BoD, Deputy of General Director of Garmex Saigon Corporation

Current Position:

Member of Board of Directors, Garmex Saigon Corporation

Total number of shares hold: 45,183 shares, accounting for 0.25% of Charter capital

SUPERVISORY BOARD

PHAN THI PHUONG Head of Supervisory Board

Date of birth: 08/03/1969

Qualification: Master of Finance - Banking

Working experience:

- 07/1991 - 08/1992: Sales staff of Glass Factory under Ministry of Industry
- 08/1992 - 08/1998: Accountant of Gia Dinh Textile Garment Corporation;
- 08/1998 - 05/01/1999: Deputy of Accounting Department of Gia Dinh textile and garment Co., Ltd.
- 05/1999 - 11/2001: Deputy of Sales Department of Gia Dinh textile and garment Co., Ltd;
- 11/2001 - 12/2004: Head of Accounting Department of Gia Dinh textile and garment Co., Ltd;
- 12/2004 - 10/2010: Chief Accountant of Gia Dinh textile and garment Co., Ltd;
- 11/2010 - 05/08/2016: Chief Accountant of Gia Dinh textile and garment Co., Ltd;
- 06/08/2016 - present: Chief Accountant of Gia Dinh textile and garment Jsc
- 05/12/2018 - present: Head of Supervisory Board, Garmex Saigon Corporation

Current Position: Head of Supervisory Board, Garmex Saigon Corporation

Position in other organizations:

- Member of Board of Directors, Bach Tuyet Cotton Corporation (BBT)
- Member of Board of Directors; Wec Saigon Joint Stock Company
- Chief Accountant of Gia Dinh textile and garment Jsc

Total number of shares hold: 4,531 shares, accounting for 0.03% of Charter capital



ORGANIZATION AND HUMAN RESOURCES

SUPERVISORY BOARD

TU VI CHI
Member of Supervisory
Board

Date of birth: 20/01/1981

Qualification: Bachelor of Economics (Corporate Finance, Business Administration)

Working experience:

- 2003 – 2006: Credit officer at Dong A Bank;
- 2006 – 2007: Corporate Customer Service Officer Vietnam International Bank (VIB)
- 2007 – 2012: Analyst, Senior Corporate Finance Consultant of Dong A Bank Securities Company;
- 2012 – 2015: Investment Analyst of Dong A Securities Fund Management Company;
- 2015 – 2016: Deputy of Analysis Department, KIS Vietnam Securities Company;
- 2016 – 2017: Strategic research and development specialist of Hoa Sen Group JSC;
- 2017 - present: Senior staff of Accounting - Finance Department - Transimex Jsc
- 05/12/2018 - present: Member of Supervisory Board, Garmex Saigon Corporation

Current Position: Member of Supervisory Board, Garmex Saigon Corporation

Position in other organizations: Officer of Accounting - Finance Department - Transimex Joint Stock Company (TMS)

Total number of shares hold: 0 shares, accounting for 0% of Charter capital

LE THI CHIN
Member of Supervisory
Board

Date of birth: 08/03/1970

Qualification: Bachelor of Economics (Corporate Finance)

Working experience:

- 1992 - present: Chief Accountant of Tan A Trading Co., Ltd. and Nam A Plastic Co., Ltd.
- 05/12/2018 - present: Member of Supervisory Board, Garmex Saigon Corporation

Current Position: Member of Supervisory Board, Garmex Saigon Corporation

Position in other organizations: Chief Accountant of Tan A Trading Co., Ltd. and Nam A Plastic Co., Ltd.

Total number of shares hold: 4,531 shares, accounting for 0.03% of Charter capital

BOARD OF MANAGEMENT

Information of Members of Executive Board:

- Le Hung - Member of Board of Director, Cum General Director
- Nguyen Minh Hang - Member of Board of Director, Cum General Director
- Nguyen Thi Thu Huong - Member of Board of Director, Cum General Director (Stated in the section of Board of Directors)
- Nguyen Thi Thu Ha - Deputy of General Director (The profile is shown below)

**NGUYEN THI THU
HA**
Deputy of General Director

Date of birth: 10/08/1963

Qualification: Bachelor of Law

Working experience:

- 03/1985 - 11/1993: State budget accountant of People's Committee of Ward 25, Binh Thanh District.
- 11/1995 - 03/2001: Vice Secretary of Party Committee - Chairwoman of People's Committee of Ward 25, Binh Thanh District.
- 04/2001 - 12/2001: Member of District Party Committee - Secretary of Party Committee of Ward 25, Binh Thanh District.
- 01/2002 - 04/2003, Member of District Party Committee - Head of Economics Department of Binh Thanh District
- 05/2003 - 12/2004: Member of District Party Committee - Chief of the Office of People's Council - People's Committee of Binh Thanh District
- 12/2004 - 09/2009: Member of District Standing Committee - Vice-chairman of Binh Thanh District People's Committee cum Secretary of Party Committee of the Centrally-run Businesses' Sector
- 10/2009 - 07/2014: Vice Secretary of District Party Committee - Chairwoman of People's Committee of Binh Thanh District.
- 07/2014 - 08/2018: Secretary of District Party Committee - Binh Thanh District.
- 09/2018 – 24/03/2019: Retirement
- 25/03/2019 - present: Deputy of General Director in charge of Internal Affairs of Garmex Saigon Corporation

Current Position: Deputy of General Director in charge of Internal Affairs of Garmex Saigon Corporation

Position in other organizations: none

Total number of shares hold: 0 share

Changes in Board of Management

On March 25, 2019, Board of Directors appointed Deputy of General Director in charge of Internal Affairs according to the Resolution of the Board of Directors no. 08/NQ-HDQT/2019.



ORGANIZATION AND HUMAN RESOURCES

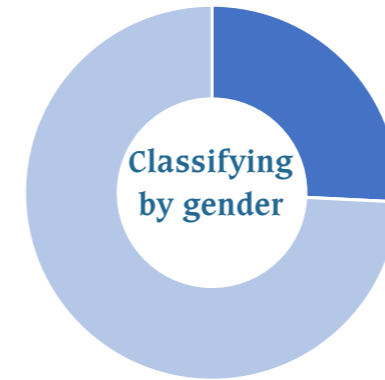
Employees structure

Total Company's employees: 3,773 persons with following details:

No.	Classification	Number of employees at the end of the period	Percentage (%)
I	Classifying by gender:	3,773	100.00 (%)
	Male	919	25.79%
	Female	2,854	74.21%
II	Classifying by labor contract type:	3,773	100.00 (%)
	Full-time	3,773	100%
	Part-time	-	-
III	Classifying by qualification:	3,773	100.00 (%)
	Graduate	162	4.3%
	College	113	3.0%
	High school graduate	3,498	92.7%



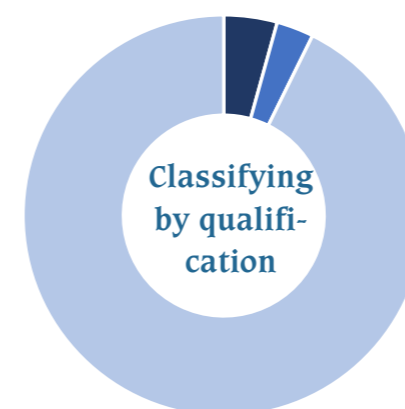
As a player in the garment manufacturing sector, the Company employs a large number of laborers. Therefore, human resource is a key factor to the Company's sustainable development. In pursuit of stable human resources in terms of both quality and quantity, the management has always paid attention to employee policies. In the view of "labor is valuable capital", the management set out and implemented following tasks in order to improve the working environment employees' lives:



■ Male ■ Female



■ Full-time ■ Part-time



■ Graduate ■ College ■ High school graduate

- Building up a friendly and relaxing working environment through process improvement in "LEAN and AUTOMATION" from the Company to the Factories;
- Developing plans to stabilize orders in order to weaken workers' job-waiting psychology;
- Regularly assessing performance of each worker based on skill matrix, KPI so as to accurately and fairly determine position for promotion, review pay rise, bonus for each position in charge;
- Promoting training and self-training. Encouraging to develop and promote employees' capabilities to the highest extent.
- Strictly complying with insurance contribution for each employee.
- Improving remuneration, bonus and allowance in an appropriate manner, giving reasonable income to the employee, aiming at ensuring their security.



INVESTMENT AND PROJECT IMPLEMENTATION

Project investment

In 2019, the Company was not involved in any new investment or expansion

Investment in subsidiaries

Tan My Garment Company Limited

- Investment amount (as of 31/12/2019): VND15,000,000,000 - Percentage of holding: 100% of Charter capital
- Business operation situation of Tan My Garment Company Limited

Unit: million dong

No.	Parameter	Actual 2018	Actual 2019	Change (%) 2019 compared to 2018
1	Net Revenue	151,444	93,724	-38.11%
2	Cost of goods sold	114,442	83,117	-27.37%
3	Revenue from financial activities	105	16	-84.76%
4	Financial, selling, and administrative expenses	31,527	25,717	-18.43%
5	Operating profit	5,580	-15,094	-
6	Other profit	144	-170	-
7	Earnings before tax	5,725	-15,264	-
8	Earnings after tax	5,289	-15,264	-

Sai Gon – Tuong Long Company Limited

- Investment amount (as of 31/12/2019): VND1,700,000,000 - Percentage of holding: 51% of Charter capital
- Consolidated business operation situation of Garmex Quang Nam Company Limited: In 2019, its business was suspended and account receivables collecting was focused.

Unit: million dong

No.	Parameter	Actual 2018	Actual 2019	Change (%) 2019 compared to 2018
1	Total asset	427	395	-7.49%
2	Net Revenue	1,099	0	-100.00%
3	Earnings after tax	-1,097	-32	-

Garmex Quang Nam Company Limited

- Investment amount (as of 31/12/2019): VND86,000,000,000 - Percentage of holding: 100% of Charter capital
- GARMEX QUANG NAM Company Limited contributed 100% capital to Garment trading company in US (Blue Saigo LLC)
- Consolidated business operation situation of Garmex Quang Nam Company Limited:

Unit: million dong

No.	Parameter	Actual 2018	Actual 2019	Change (%) 2019 compared to 2018
1	Net Revenue	232,616	103,793	-55.38%
2	Cost of goods sold	182,206	91,266	-49.91%
3	Revenue from financial activities	4	50	1150.00%
4	Financial, selling, and administrative expenses	30,789	9,807	-68.15%
5	Operating profit	19,626	2,770	-85.89%
6	Other profit	43	-2,114	-
7	Earnings before tax	19,669	655	-96.67%
8	Earnings after tax	17,230	1,256	-92.71%

Investment in affiliates

Phu My Joint Stock Company

- Investment amount (as of 31/12/2019): VND4,341,000,000 - Percentage of holding: 32.67% of Charter capital

Financial investments

Viet A Joint Stock Commercial Bank

- Number of shares: 207,701 shares
- Original investment amount: VND3,998,050,000 (provision: VND2,959,545,000)

Vietnam Joint Stock Commercial Bank for Industry and Trade

- Number of shares: 25,266 shares
- Original investment amount: VND1,269,730,000

Gia Dinh Development & Investment JSC

- Number of shares: 843,950 shares
- Original investment amount: VND10,127,400,000

Change in Financial Investment: no



FINANCIAL SITUATION

Financial situation

Unit: million dong

No.	Parameter	2018	2019	Change (%) 2019 compared to 2018
1	Total assets	1,010,674	1,028,988	1.81%
2	Net Revenue	2,038,901	1,747,771	-14.28%
3	Operating profit	138,900	137,011	-1.36%
4	Other profit	2,562	-2,146	-183.76%
5	Earnings before tax	141,462	134,865	-4.66%
6	Earnings after tax	120,399	104,449	-13.25%
7	Earnings before tax	30%	20% - 30%	-

Major financial benchmarks

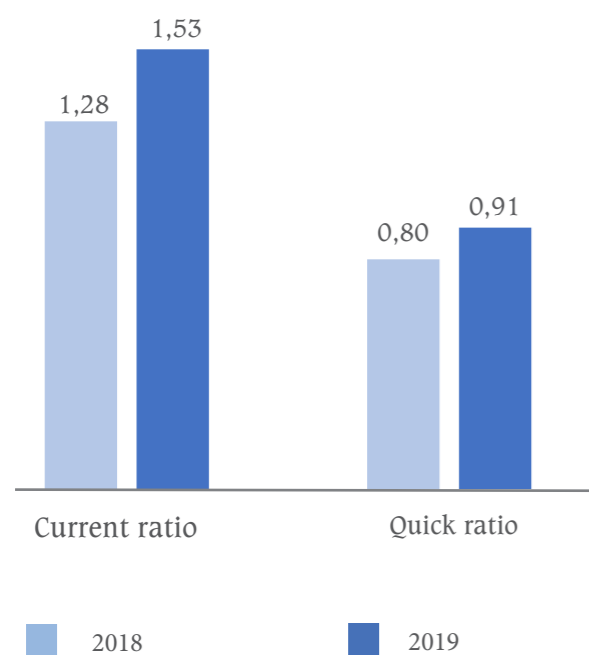
No.	Parameter	Unit	2018	2019
I	Solvency			
1	Current ratio	Time	1,28	1,53
2	Quick ratio	Time	0,80	0,91
II	Capital structure			
1	Debt/total asset	%	62,34	53,02
2	Debt/Owner's equity	%	165,55	112,85
III	Operational capability			
1	Inventory turnover	Time	6,00	4,68
2	Net Revenue/Total asset	Time	2,13	1,71
IV	Profitability			
1	Earnings after tax/Net Revenue	%	5,91	5,98
2	Earnings after tax/Owner's equity (ROE)	%	34,36	24,18
3	Earnings after tax/Total asset (ROA)	%	12,55	10,24
4	Operating profit/Net Revenue	%	6,80	7,84



FINANCIAL SITUATION

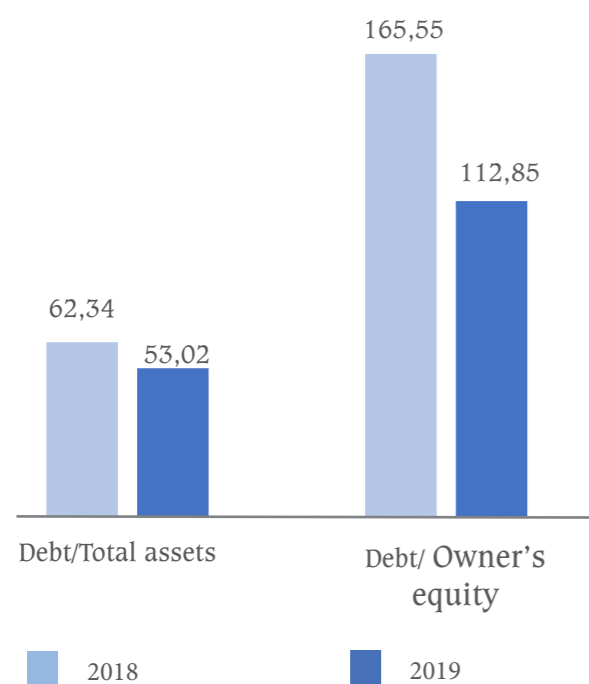
SOLVENCY

Unit: time



FINANCIAL LEVERAGE RATIO

Unit: %



Solvency

Last year, the Company proactively paid all debts and promptly balanced the asset - capital structure in order to maintain good solvency. Thus, its solvency ratios were sharply improved. Specifically, current ratio was 1.53 times, 19.68% higher than in 2018 (1.28 times); Quick ratio reached 0.91 times, rising from 0.80 times in 2018. In comparison with the peers, Garmex Saigon's solvency was maintained at high level.

The increase of such ratios resulted from the increase in bank deposit and inventory. During the year, the Company promoted collecting receivables from customers in order to limit its working capital being appropriated, leading to its less amount of short-term account receivables and larger amount of bank deposits. Furthermore, the inventory increased mainly due to a rise in input materials price which is prepared for orders to be completed by the beginning of 2020.

Financial leverage ratio

Typically, the Company's manufacturing was in consistency with the orders, the Company's working capital was of large amount and mainly funded by debt. However, in 2019, to pursue less pressure deriving from interest expenses, the Company restructured its own financial situation by paying due short-term loan and long-term loan; leading to reduce its debt from 630.08 billion dong in 2018 to 545.56 billion dong in 2019. Therefore, the ratio of debt/total assets and debt/owner's equity decreased significantly compared to 2018 with 53.02% and 112.85%, respectively.

Operational capabilities

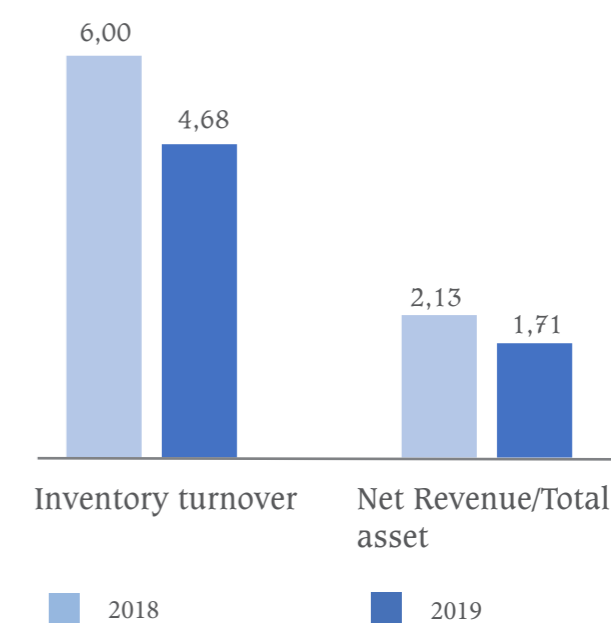
Fierce competition among garment enterprises in local and oversea markets has put much impact on the Company's business and manufacturing operation. Currently, Vietnam's cheap labor has no longer has its own competitive advantage, so many orders have gradually flowed to countries with more competitive labor costs such as Myanmar, Bangladesh, India and African countries; although the customers' inventory has been improved, there have not been any positive changes, resulting in less orders for Vietnam in general and Garmex Saigon in particular; thus, the Company's net sales went down by 14.28% to 1,748 billion dong and cost of goods sold decreased to VND 1,455 billion in 2019.

Profitability

Due to common disadvantage of the whole sector, the Company's profitability ratios like ROA, ROE slightly decreased. Particularly, ROE was 24.18%, lower from 34.36% achieved in 2018 while ROA went down to 10.24% in 2019. Nevertheless, Earnings after tax/Net Revenue and Operating profit/Net revenue went up, indicating better core business performance. This growth came from policies and measures implemented during the year such as improving manufacturing processes, reorganizing departments to streamline the structure, improving labor productivity and restructuring the financial situation in the pursuit of lower interest expenses.

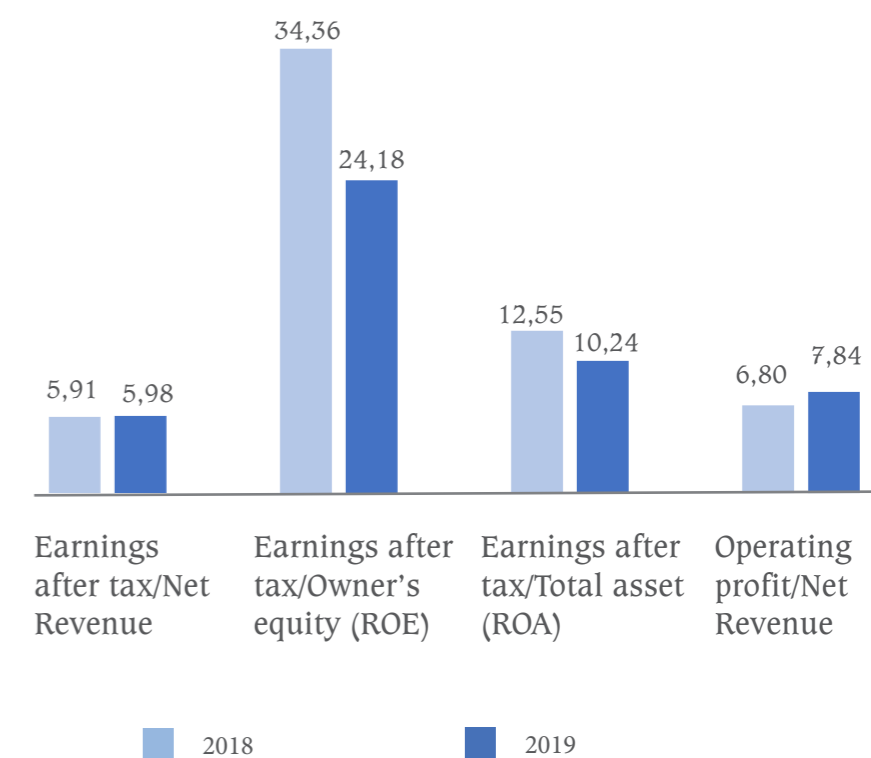
OPERATIONAL CAPABILITIES

Unit: time



PROFITABILITY

Unit: %



SHAREHOLDER STRUCTURE, CHANGE IN OWNER'S EQUITY

Shares

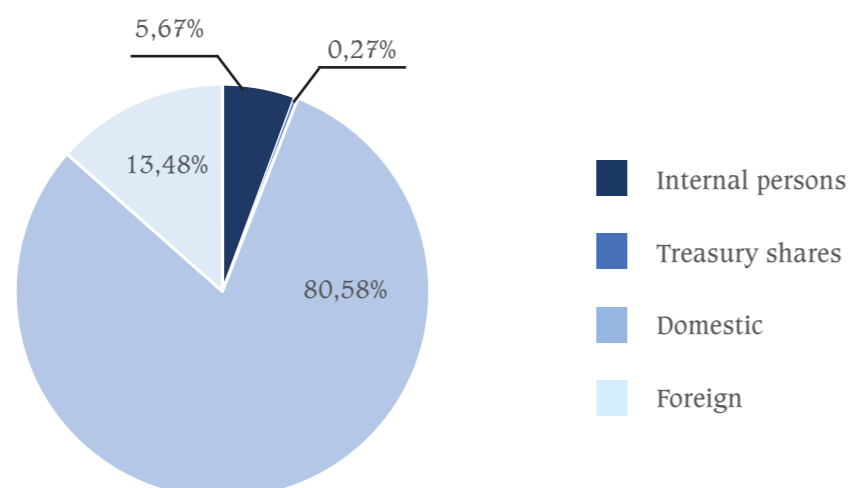
Share information as of December 31, 2019:

- Total Number of shares issued: 17,880,928 shares
- Treasury shares: 49,260 shares
- Total Number of outstanding shares: 17,831,668 shares
- Types of shares: Common shares
- Par value: VND10,000
- The Company did not have its securities traded in foreign markets

Shareholders structure: Updated according to the list of shareholders closed on December 03, 2019

Details of Owner's equity:

No.	Criteria	Number of freely transferred shares	Total	Percentage of holding (%)
I	Internal persons	1.013.367	1.013.367	5,67%
II	Treasury shares	49.260	49.260	0,27%
III	Other shareholders,	16.818.301	16.818.301	94,06%
1	Domestic	14.408.048	14.408.048	80,58%
1.1	Individual	2.498.742	2.498.742	13,97%
1.2	Institution	11.909.306	11.909.306	66,60%
2	Foreign	2.410.253	2.410.253	13,48%
2.1	Individual	1.184.138	1.184.138	6,62%
2.1	Institution	1.226.115	1.226.115	6,86%
TOTAL		17.880.928	17.880.928	100%



List of major shareholders

No.	Major shareholders	Business Registration no.	Date of issuance	Address	Number of shares	Percentage (%)
I Major shareholders						
1	TTA Investment JSC	0315279901	25/01/2019	2nd Floor, Ha Do Airport Building, no.2 Hong Ha, Ward 2, Tan Binh District, Ho Chi Minh City	2.709.031	15,15%
2	Gia Dinh textile and garment Jsc	0300744507	05/08/2016	10-12-14-16 Nam Ky Khoi Nghia, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City	1.799.042	10,06%
3	Thua Thien Hue Investment And Import Export JSC	3300101484	10/01/2017	93 An Duong Vuong, An Dong ward, Hue City, Thua Thien Hue Province	2.118.419	11,85%
II Group of major shareholders						
	Lam Thu Thanh	21841229	19/07/1996	186 Thai Phien, Ward 8, District 11, Ho Chi Minh City	1.945.258	10,88%
	Individual ownership				940.596	5,26%
1	Representing ownership of Asia Trading Co., Ltd:	46810	27/01/1992	6 Tran Quang Dieu, Ward 13, District 3, Ho Chi Minh City	502.331	2,81%
	Representing ownership of Tan A Co., Ltd:	49523	22/04/2001	90 National Road 1A, My Yen Commune, Ben Luc District, Long An	502.331	2,81%
	Bui Tuan Ngoc	001065013640	15/06/2018	No.6 Dang Tat, Tan Dinh Ward, District 1, Ho Chi Minh City	3.663.352	20,49%
	Individual ownership				-	-
2	Representing ownership of Thien Hai Investment and Trading Co., Ltd:	0300989419	01/04/2010	No.56 Pham Ngoc Thach, Ward 6, District 3, Ho Chi Minh City	2.827.222	15,81%
	Representing ownership of Toan Viet Investment JSC	0309587030	19/11/2009	No.56 Pham Ngoc Thach, Ward 6, District 3, Ho Chi Minh City	836.130	4,68%
TOTAL					12.235.102	68,43%

(*) The number of shares is updated according to the List of shareholders closed on December 3, 2019



SHAREHOLDER STRUCTURE, CHANGE IN OWNER'S EQUITY

Change in investment capital of owner equity

In 2019, the Company issued dividend shares with a proportion of 15%, following reflects the change in Owner's investment capital:

No.	Contents	Before change	Change	After change
1	Charter capital (VND)	155.556.200.000	23.253.080.000	178.809.280.000
2	Treasury shares (VND)	(863.138.686)	-	(863.138.686)
3	Capital surplus (VND)	28.314.942.370	-	28.314.942.370

The event occurred after the end of the period: on January 14, 2020, the Company completed its issuance of shares to existing shareholders with following results:

- Share name: Garmex Saigon Corporation
- Par value: 10,000 dong
- Issuing price: 15,000 dong/share
- Number of shares expected to be issued: 8,916,157 shares
- Method of issuance: Issuing shares to the public with a ratio of 2:1
- Total expected issuance value according to par value: 89,161,570,000 dong
- Total Number of shares distributed: 8,915,437 shares, accounting for 99.99% of total shares eligible for being issued.
- Total amount collected from the issuance: 133,731,555,000 dong

Transaction of Treasury shares

In the year, the Company was not engaged in any transaction of Treasury shares.

Other securities

In the year, the Company was not engaged in any transaction of any other shares.





CHAPTER 3

MANAGEMENT BOARD'S ASSESSMENT REPORT 2019

- » Business environment in 2019
- » Financial situation
- » Progress in respect of organizational structure, policies, management
- » Future development plan
- » Report On Sustainable Development

BUSINESS ENVIRONMENT IN 2019



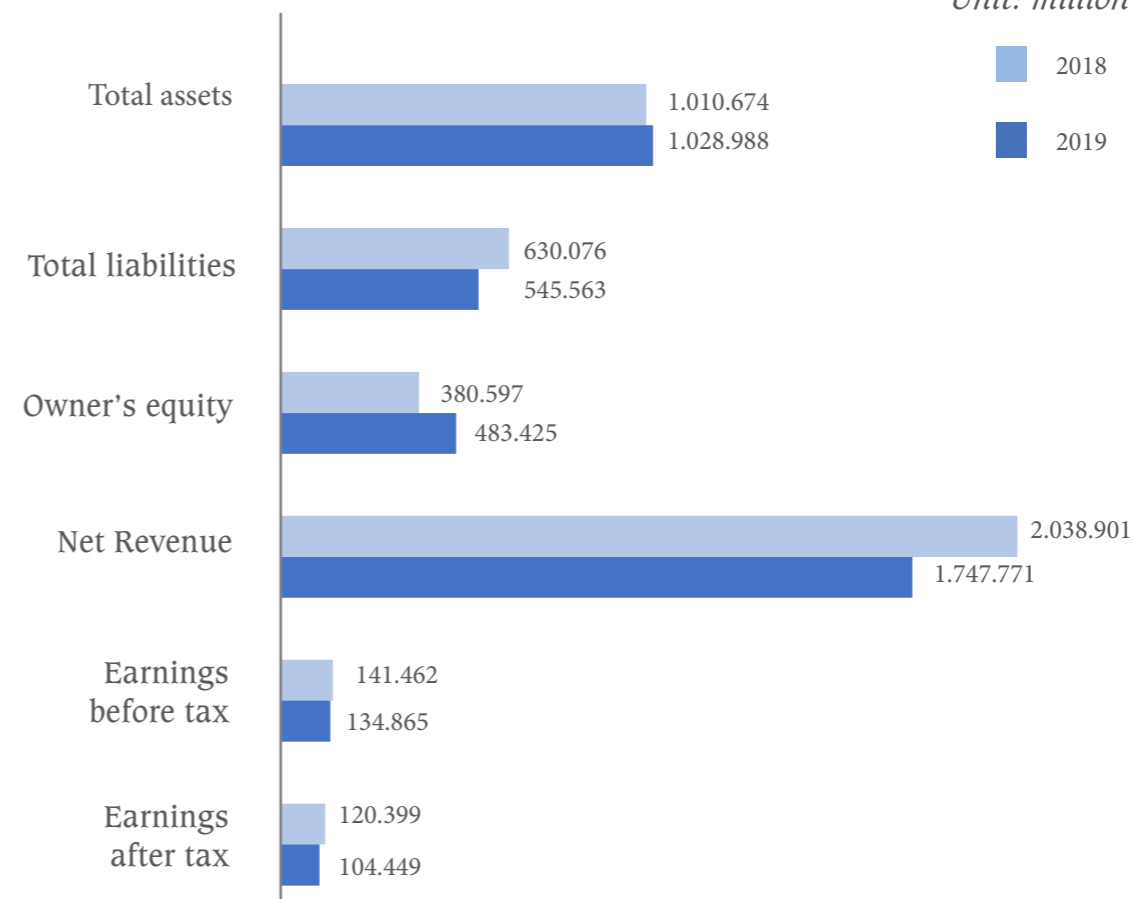
In the background of economic slow-down, the garment industry faced difficulties from competition coming from labor costs, reduced selling prices, reduced orders, the BOM coordinated with all employees of each department to implement the set targets. Following is business performance outcome achieved in 2019:

Unit: million dong

No	Parameter	2018	2019	Change (%) 2019 compared to 2018
1	Total assets			1,81%
2	Current asset	778.442	820.453	5,40%
3	Inventory	291.442	330.557	13,42%
4	Total liabilities	630.076	545.563	-13,41%
5	Short-term liabilities	609.381	535.594	-12,11%
6	Owner's equity	380.597	483.425	27,02%
7	Net Revenue	2.038.901	1.747.771	-14,28%
8	Earnings before tax	141.462	134.865	-4,66%
9	Earnings after tax	120.399	104.449	-13,25%

The result of Business and manufacturing activities

Unit: million dong



Such outcomes were achieved thanks to the fact that the Board of Directors directed, coordinated, and consulted with the Board of Management to assess and analyze the market, propose solutions to maintain and stabilize production and business, which is reflected by:

- LEAN combined with 5S management were strictly followed and implemented throughout the Company and its factories;
- The Company paid attention to investment in specialized equipment, apparatus; regularly assessed and maintained apparatus leading to high operational productivity;
- Some adjustment was made to employee policies to improve their lives, in consistent with the Company's culture - "labor is valuable capital"
- Regularly monitoring, updating volume of orders, completion deadline, making effective management plan for supply chain, managing input materials consumption for timely supply, avoiding production disruption.



BUSINESS ENVIRONMENT IN 2019

Revenue

Unit: million dong

No.	Parameter	2017	2018	2019
1	Export Revenue	1.571.597	2.020.718	1.739.338
2	Domestic Revenue	33.451	18.183	8.433
3	Revenue from financial activities	5.630	17.133	6.804
4	Other profit	14.826	2.913	1.372
Total revenue		1.625.504	2.058.947	1.755.946



Unpredictable development of US-China trade war caused lower garment demand and Vietnam as one of the garment exporter was not an exception. Together, the lack of orders increased the competition within the industry and higher buyer's bargaining power, resulting in the pressure to lower selling price. Those are some reasons prevent the revenue to meet the set targets. Out of the revenue structure, revenue from export activities consistently remained a high proportion. Beside maintaining the reputation and keeping close relationships with traditional customers, the Company has constantly searched for potential markets to diversify its customer portfolio and enhance its position to customers, gradually expanding its market share on the world.

Production and business costs by factors

Unit: million dong

No.	Parameter	2017	2018	2019	Change (%) 2019 compared to 2018
1	Cost of goods sold	1,344,066	1,675,340	1,454,755	-13,17%
2	Financial expenses	12.263	22.523	12.769	-43,31%
3	Selling expenses	50.536	63.350	21.114	-66,67%
4	Administrative expense	141.830	156.212	128.926	-17,47%
5	Other expenses	1.999	351	3.517	901,99%

Despite tough background of the industry, the Company carried out various measures in order to minimize operational costs, increase its profit and ensuring shareholders' benefit. Notably, there was a significant reduction in financial and selling expenses, standing at 12.77 billion dong and 21.11 billion dong respectively, or 43.31% and 66.67% lower than in 2018. This was because the Company repaid long-term debt and made a gradual payment for short-term debt due in order to reduce interest expense pressure on profit growth. In addition, the Company has planned for needed procedures and documents related to the issuance of additional shares for existing shareholders. This would increase its working capital to fulfill business and manufacturing needs of the Company in the coming year.



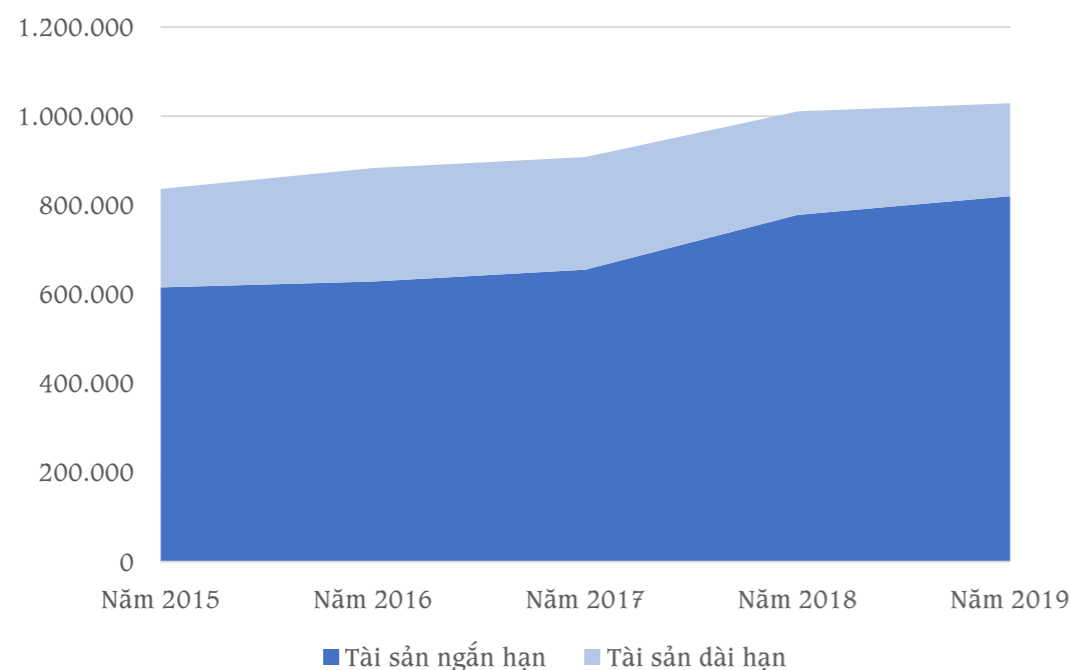
FINANCIAL SITUATION

Assets

Unit: million dong

No.	Parameter	2015	2016	2017	2018	2019
1	Current asset	615.644	628.853	655.451	778.442	820.453
2	Non-current asset	221.070	254.615	252.833	232.231	208.535
	Total asset	Total asset	883.468	908.284	1.010.674	1.028.988

THE GROWTH RATE OF ASSETS



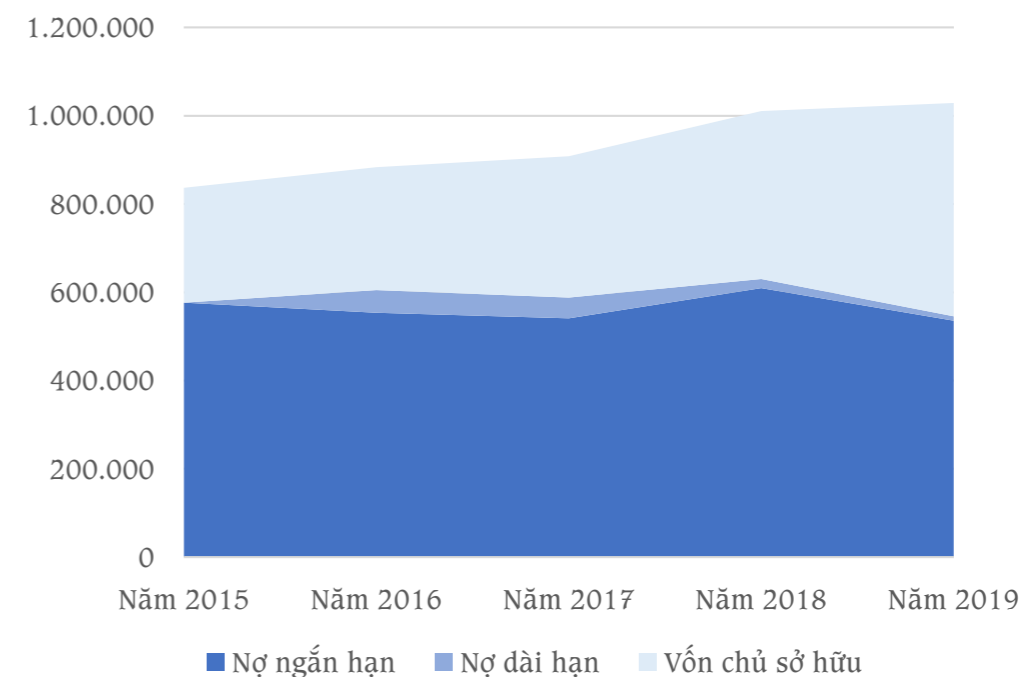
The Company's cash-flow was relatively stable because receivables were closely monitored and collected punctually. Bank deposit increased from 125.88 billion dong in the end of 2018 to 213.90 billion dong in the end of 2019. In addition, the inventory amounted 330.56 billion dong, 13.42% higher than in 2018, which can be explained by the fact that the Company had to stored materials for producing orders to be delivered at the beginning of 2020. Thereby, total current asset increased by 5.4% in comparison with 2018 and reached an amount of 820.45 billion dong.

Equity

Unit: million dong

No.	Parameter	2015	2016	2017	2018	2019
1	Short-term liabilities	576.478	553.574	540.956	609.381	535.594
2	Long-term liabilities	-	51.382	47.048	20.696	9.969
3	Owner's equity	260.236	278.513	320.280	380.597	483.425
	Total liabilities and Owner's equity	836.714	883.469	908.284	1.010.674	1.028.988

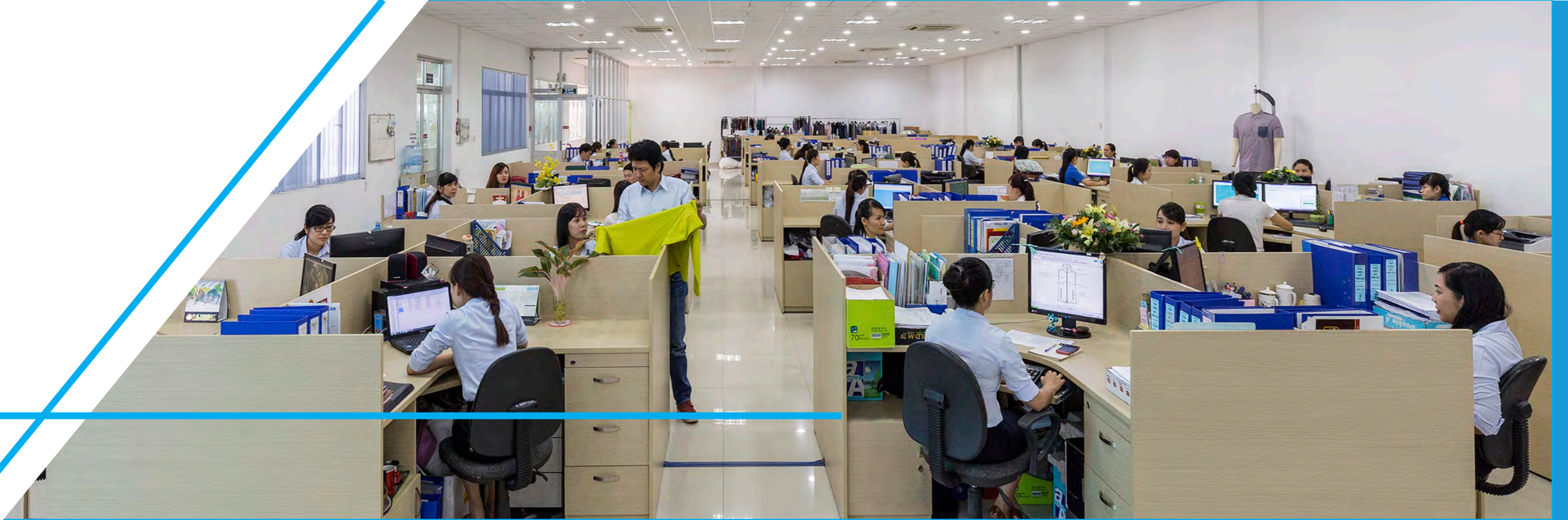
THE GROWTH RATE OF EQUITY



Short-term liabilities made up the largest proportion of the total liabilities and was a main source funding the Company's business operation for many years. However, last year, it step by step changed its liabilities - owner's equity structure by lessening debts and increasing owner's equity to fund its operation. Therefore, short-term liabilities in 2019 dropped sharply, as of December 31, 2019, short-term liabilities amounted 535.594 billion dong, 73.787 billion dong lower than as of December 31, 2018. There was a sharp reduction from 20.70 billion dong in 2018 to 9.97 billion dong in 2019 thanks to the Company's repayment of a part of long term bank loans.

Parameter	2015	2016	2017	2018	2019
Net Working Capital	39,166	75,280	114,496	169,061	274,890
Working Capital turnover	39.70	28.16	14.02	12.06	8.26





PROGRESS IN RESPECT OF ORGANIZATIONAL STRUCTURE, POLICIES, MANAGEMENT

Operational policies

- Evaluating and improving manufacturing processes, implementing LEAN & Automation, 5S, building quality management systems, strictly controlling each stage from input materials to output products, to control production cost.
- The employees were paid in accordance with their actual performance and productivity in order to promote motivation to work and improve responsibility for the work they were undertaking.
- The company often organized training activities on skills, professional expertise, creating conditions for employees to improve their skills.
- Investing more on specialized production equipment combined with regularly inspecting and evaluating machinery and equipment, planning for reasonable maintenance to ensure labor safety.

Organizational structure

- Continuing to replicate LEAN, 5S throughout the factories.
- Forming a friendly working environment to pursue higher productivity.
- Encouraging and facilitating employees to develop their capabilities to the highest extent.
- In 2019, the Company reviewed and restructure its organizational departments to meet the work performance requirements, ensuring efficient operation.

Management activities

- Ensuring safe working conditions, rights of fairness and freedom, and occupational health care for all employees. Constantly improving the working environment, giving employees the opportunity to study and develop, together with offering welfare policies and preferential income.
- Employees with outstanding achievements have been reviewed for pay rise and promotion to managerial positions.



FUTURE DEVELOPMENT PLAN

The target is to achieve an average revenue growth of 20%/year for the 5-year development period (2020-2024), to achieve a revenue of more than USD 200 million, 150 sewing lines, while ensuring the goal of the Company's sustainable development by 2024. However, when the pandemic spread globally, the economy has been significantly affected in general and the same to the supply chain in particular. Therefore, depending on actual situation, the Board of Directors and the Board of Management of the Company decide to adjust the short-term plan in 2020 but it with a stable step, to anticipate and seek for more development opportunities for the years to come.

Solution to achieve the plan

- Enhancing recruitment and training
- Procuring specialized apparatus, improving production process for higher production productivity;
- Investing more in factories, striving to make the working environment cleaner, greener for the employees
- Investing to develop Model Developing Center, prioritizing technical-heavy products with high value;
- Ensuring stable income and well implementing policies for the employees.
- Switching from coal-fired boilers to electric boilers to improve the working environment and ensure better health for workers





Report

On Sustainable

Development



REPORT ON SUSTAINABLE DEVELOPMENT

Assessment on the environmental indicators

Energy consumption

Total energy directly consumed:

Total volume used	Unit	2017	2018	2019	Change (%) 2019 compared to 2018
Total electricity consumed	Kw-h				-6,95%
Total amount of gas consumed	Kg	44.704	49.831	43.678	-12,35%
Total amount of oil consumed	Liter	1.400	24.457	29.090	18,94%
Total amount of gasoline consumed	Liter		12.890	10.585	-17,88%
Total volume of coal consumed	Kg	341.959	292.256	321.729	10,08%

Energies were mainly consumed for the Company's production. Last year, because the Company's production involved in using coal boilers, coal usage increased. However, in 2020, the Company will replace it with electric boilers for being more environmentally friendly.

In order to avoid wasteful use of energy sources, cost increase, the Company always upheld policies and recognized initiatives that contributed to reducing energy consumption. During the year, the Company implemented energy-saving initiatives for the entire Company system, but still ensured enough light for employees to work, details are as follows:

- Ordinary fluorescent light bulbs were gradually replaced with led lighting bulbs; new energy-efficient devices are equipped to minimize unnecessary power loss;
- Turning off electric devices when unnecessary;
- Regularly cleaning bulbs, reflector to enhance light, ensuring sufficient light for production.
- Operating system cooling the factories as regulated;

The Company saved electricity, gas and gasoline in comparison with 2018 by 6.95%, 12.35%, and 17.88% respectively. The Company was planning to minimize gasoline by making transportation plan and estimating the most reasonable route of transportation.

Water consumption

No	Water sources	Total amount of water used (unit: liter)
1	Underground	6.860
2	Tap water	32.317
Total		39.177

In 2019, the Company used 53,980 liter of water. All water consumption was mainly for domestic purposes because the company only imported materials for sewing and it was engaged in no weaving or dyeing activities. Because the Company has not established a process to recycle wastewater, no wastewater is re-used.

Complying with the law on environmental protection

The company always strictly adherence to regulations related to environmental protection (with wastewater treatment system, waste classification). With all efforts over the time, Garmex Saigon has not committed any violation against regulations related to environmental protection.



REPORT ON SUSTAINABLE DEVELOPMENT

Employee caring programs

Number of employees, average salary

Number of employees in 2019: 3,773 persons

No.	Classification	Average salary (UNIT: (dong/person/month))
Employee salary		
1	- Indirect	10,871,947
2	- Direct	7,327,530

Employee caring programs

Human resource is always a foundation, key to operate a business. If a business desires to sustainably develop, not only appropriate strategic directions are required but also quality labor force, especially for a labor intensive industry like the one in which Garmex Saigon is a player. Accordingly, the BOM always pay attention to employees' conditions, personnel policies were constantly improved and amended to enhance employees' motivation. Following are details of the employee caring programs in 2019:

Labor safety

- Issuing a regulation on personal protective equipment in 2019
- Organizing training activities with certificate on occupational health and safety issued for 2 times/2019.
- An Phu Garment Factory's firefighting system was improved
- Garmex Quang Nam's garment factory's firefighting system was improved

Salary, bonus and welfare

- Employees related policies in 2019: taking care of single female workers with children, give allowances for their children going to kindergarten, visiting employees on war invalids, martyrs and Vietnamese soldiers date; organizing the shuttle bus to bring the employees to their home on Tet holiday, paying for short vacation, preparing gifts for employees on public holidays of the year.
- Rewarding those who referred persons to join the Company's factories.
- Remuneration package in 2019 included: thirteenth month salary, fourteenth month salary based on business performance, seniority bonus, policies for employees after their maternity leave periods in 2019.

Health care programs

- Organizing periodic health consulting and examination for the employees 2 times/year
- The Company supported the employees who got trouble with their health
- 100% employees were covered with health insurance, unemployment insurance, occupational accidents as regulated. Besides, the Company also covered the employees with 24/24 accident insurance.
- Combined with Labor Union and Youth Union to periodically evaluate the quality of kitchens through the satisfaction survey to promptly adjust and improve meals from time to time.

Employees' and their family members' lives caring programs



- Every year, the Company organized Festivals with sweepstakes, held sports tournaments and art competition, creating a healthy relaxing space for employees. The company implemented a group health insurance program for employees and their family members so that they could access better health insurance products with expanded conditions.
- The company gave financial support like fare for workers returning home on Tet holiday, supported urgently disadvantaged workers, maintaining the policy of supporting gasoline costs to employees and fees for children going to kindergarten, supporting single female workers to raise children.
- The employees were always guaranteed with safe working condition, fairness and freedom on the basis of working quality. The Company did not only adhere to legal regulations but also evaluation standards set by international customers.

Training and development

- Internal training: Departments/ factories trained their personnel about regulations, customers' standards. Salary policy, English training for staff
- External training: delegate representatives to join training courses in China, Taiwan, France and US.
- Training employees on professional skills.

Assessment relating to the Company's responsibility to the local community

- Supporting local communities where the Company and its factories operate like: supporting the poor local residents on Tet occasion with a total amount of 65 million dong. Sponsoring schools for disabled children with a total amount of 100 million dong.
- Supporting caring program of Vietnamese heroic Mother in Ben Tre province.





CHAPTER 4

ASSESSMENT OF THE BOARD OF DIRECTORS ASSESSMENT ON THE COMPANY'S BUSINESS PERFORMANCE IN 2019

- Assessment on the World economic situation and Vietnam economy in 2019
- Assessment on the textile and garment situation in 2019
- Assessment of the Board of Directors on The Company's Business performance in 2019
- Assessment of the Board of Directors on Board of Management performance
- Plan and direction of the Board of Directors



Assessment on the World economic situation and Vietnam economy in 2019

The 2019 world economy saw trade wars taking place among the world's largest economies, especially between the United States and China. Prolonged trade tension between the two countries did put great impact on the world economy slowdown. By the end of 2019, US and China reached a Phase I agreement which somehow eased concern about the economy recession. The economy was expected to recover and rebound in the time to come.

Facing the tough time of 2019, garment enterprises were under high pressure of less orders, price fluctuations, which in turn adversely affected their business performance. Being aware of such problem, Garmex Saigon JSC tried its best to maintain its traditional customers with total export amounting to \$74.6 million in 2019, 12% lower than in 2018.

Assessment on the textile and garment situation in 2019

Vietnam textile and garment enterprises encountered severe competition from domestic market to overseas market, from FDI enterprises to the countries considering textile and garment sector as their key, from attracting skilled labor to sharing orders. However, Vietnam Textile and Garment Industry achieved good growth with textile and garment export reaching \$39 billion, 7.55% higher than in 2018. On the other hand, Vietnam Government entered into CPTPP agreement which was considered as a buffer for domestic enterprises to grow. However, Vietnam textile and garment has not taken advantage of preferential opportunities from this agreement. As a matter of fact, the textile and garment sector in 2019 can be described as follows:

- Domestic enterprises just provided the textile and garment industry with roughly 50% input materials. As this is not enough for those enterprises to take full advantage of the Trade Agreements, they are required to improve their supply of materials, creating a supply chain improvement trend. Nevertheless, technological and financial capabilities have been significant obstacles to these enterprises.
- Labor structure has been still limited when only 25% of total labor was professionally qualified, the 75% remaining did not obtain professional qualification and most of them only have high school certificate.
- Regional minimum wage for labor increased according to the Resolution no.90/2019/NQ-CP, causing higher labor costs and weakening cheap labor competitive advantage.
- The CMT and FOB manufacturing methods still prevailed with high proportion in the structure of the garment industry, putting competitive pressure on low-cost labor-owned enterprises in many countries such as Myanmar, Bangladesh and other countries in Africa.



ASSESSMENT OF THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS PERFORMANCE IN 2019

Business and production outcomes in 2019

In order to mitigate the impacts of the current situation and maintain stable production and business activities, the Company's management set out the following solutions:

- Developing plans to stabilize orders, appropriately allocate orders in order to minimize workers' job-waiting; thus lower cost for salary allowance
- Improving, adjusting the remuneration policy to contribute to increasing income, taking good care of the employees' material and spiritual lives, thus stabilizing the labor situation;
- Gradually perfecting the management system, improving the production process in pursuit of higher labor productivity and less overtime;
- Taking step by step to change the strategy of producing technology-heavy goods, consolidating and developing human resources in addition to perfecting the management system.
- Establishing trust among customers; continuing to form its position among traditional customers, actively seeking for new customers, contributing to stable production from the beginning of 2019.

Project investment activities

In 2019, there was no project investment conducted by the Company. Most of its financial investments were maintained.

Environmental, social and community responsibilities

During the course of the Company's incorporation and development process, Garmex Saigon has all the times been aware of its role in environmental protection and contributing to the community along with its sustainable development strategies. Over the time, it continuously implemented supporting measures in order to improve the environment, complying with the environmental law as well as contributing to the local socio-economic development such as:

- Paying attention to investment in production line, ensuring occupational health and safety for the employees, ensuring quality standard on environment as well as fulfill the customer's requirement on the product quality.
- Waste treatment system was also thoroughly considered, ensuring the wastes are carefully classified and treated in an effective manner during the course of production before discharging to the environment.
- The Company used a system to treat the water to remove impurity so that it can be drunk right from the tap. Canteens at factories under Garmex Saigon were all run by the factories, which ensured food hygiene and safety and health for the Company's employees.

ASSESSMENT OF THE BOARD OF DIRECTORS ON BOARD OF MANAGEMENT PERFORMANCE

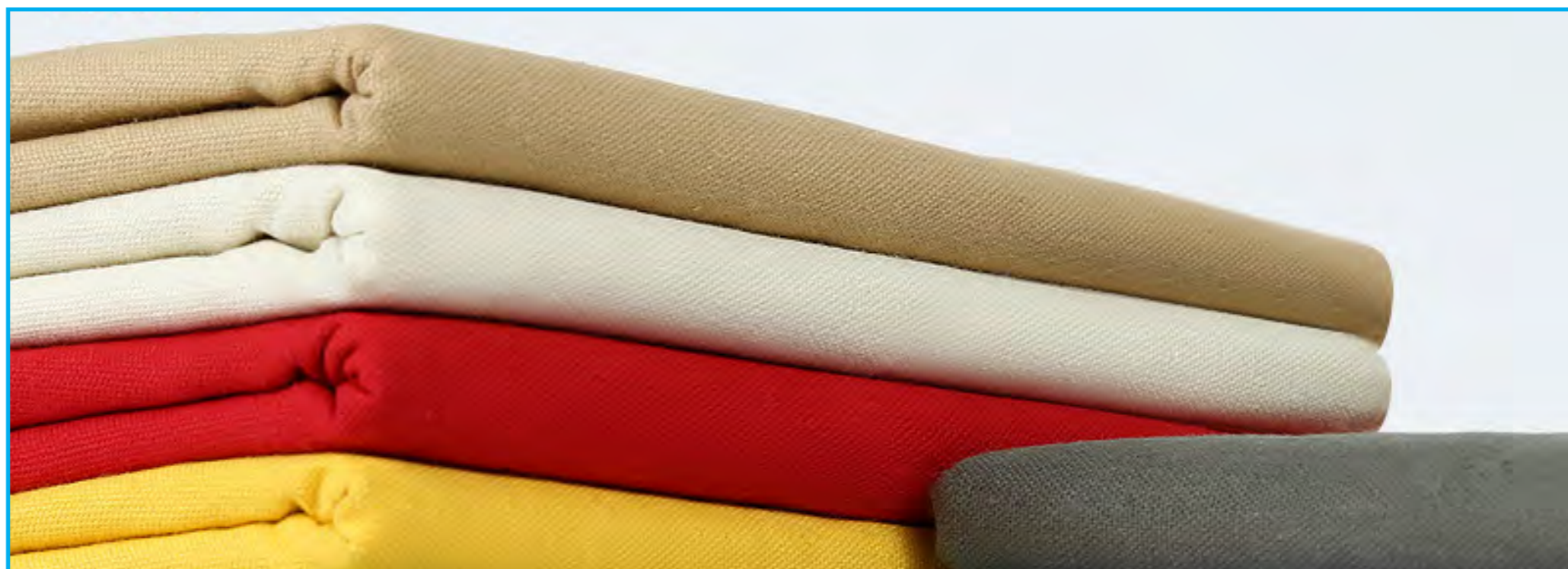
Achievements

- Facing price competition context, the Company still promoted trading with traditional customers, consolidated its position, allocated appropriately its resources in accordance with the export market development. At the same time, quality management system, production process were improved, leading to higher working productivity, successful achievement of the targets set out by the General Meeting of Shareholders.
- Firmly maintaining position and orders from major customers such as Columbia Sportswear, Decathlon, Nits.
- LEAN AND AUTOMATION model was gradually completed; LEAN core objective was achieved as a first step: O2 reduction (cost reduction - completion time reduction); O2 increase (productivity increase - quality increase).

Shortcomings and causes

- The supply of raw materials was still behind the schedule, the quality was not stable. Therefore, the "waiting for work" psychology of workers was not completely overcome.
- The Company also relied on importing raw materials from foreign suppliers, requiring transport time, which has also been common issue in Vietnam's textile and garment industry.

The shortcomings of the Company were mainly objective factors, the Company's management system has been under completion. In order to minimize the undesirable effects on the business performance, the Board of Directors worked closely with the suppliers, proactively resolved problems arising in terms of quality and delivery. Also, the BOM had plans in place to seek for new customers, as well as sources of raw materials which may be more competitive.



PLAN AND DIRECTION OF THE BOARD OF DIRECTORS

Assessment on 2020 outlook

General assessment on the global economic outlook

Although the two US-China largest economies have reached Phase I agreement, the trade war was eased, the global economic growth in 2020 is expected to continue to decline due to some objective reasons. Firstly, the SARS - COV - 2 epidemic situation is unpredictably spreading throughout the world, the number of infected cases increase on daily basis in major economies such as: USA, Italy, France, England, China ... Secondly, policies restricting entry from countries as an effort to prevent epidemics have significantly affected their FDI flows and goods circulation, causing the global economy stagnation, including Vietnam.

Assessment on the industry outlook

- CPTPP agreements were signed, paving the way for Vietnam enterprises to integrate, for the textile and garment industry to expand its market to the world.
- In June, 2019, Vietnam and EU officially entered into a Free trade agreements (EVFTA) and Investment Protection Agreement (IPA). These are promisingly driving forces for Vietnam export, enabling the diversification of export market and items.

However, according to the principle of origin set by International Agreements related to yarn and fabric, most of Vietnam enterprises have not met the requirement yet. They have relied so much on materials and accessories imported from China, South Korea, which is not accepted by the agreement. Besides, the Company also faces up with serious pressure caused by: Higher regional minimum wage, increasingly fierce price, model and quality competition. In order to take full advantage of such outlook, it is required that the Company develops a professionally technical team with higher level of operational qualification to enhance its competitiveness in consistency with the market trend in pursuit of sustainable development.

The Company's development strategy in 2020

Internal affairs

- Weighing resources development, boosting production innovation to increase productivity.
- Building a model development center to promote design stage, gradually switch into ODM selling method.
- Developing a timely, quality supply of raw materials at competitive prices and fulfilling standards and conditions to take advantage of the Trade Agreements.
- Constantly improving and perfecting the quality system, Lean model, 5S model, increasing productivity - product quality.

External affairs

- Maintaining and strengthening the reputation among traditional customers in the US, EU and Japan markets. Also, the Company has always been looking for new customers; expanding market share to potential markets.
- Taking advantage of international trade agreements, seeking for opportunities to expand markets.
- Procuring specialized equipment to create technical heavy products with high added value.
- Focusing on researching models and new designs to diversify products, step by step building orientations to ODM method.





CHAPTER 5

CORPORATE GOVERNANCE

- » Member and structure of Board of Directors
- » Activities of the Board of Directors
- » Transactions, remuneration and interests of the Board of Directors, Board of Management and Board of Supervisors

MEMBER AND STRUCTURE OF BOARD OF DIRECTORS

No.	Member	Position	Number of shares hold as of December 31, 2019	Percentage of Charter capital (*)	Remark
1	Mr. Bui Tuan Ngoc	Chairman	2,827,222 shares	15,81%	Representing ownership of Thien Hai Investment and Trading Co., Ltd:
			836,130 shares	4,68%	Representing ownership of Toan Viet Investment JSC
2	Mr. Bui Minh Tuan	Member	2,709,031 shares	15,15%	Representing ownership of T.TA Investment JSC
3	Mr. Le Hung	Member	0 share	0,00%	
4	Mr. Nguyen Viet Cuong	Member	0 share	0,00%	
5	Mr. Lam Thu Thanh	Member	940,596 shares	5.26%	Individual ownership
			502,331 shares	2.81%	Representing ownership of Tan A Co., Ltd
			502,331 shares	2.81%	Representing ownership of Asia Trading Co., Ltd
6	Mrs. Nguyen Minh Hang	Member	18,479 shares	0.10%	Individual ownership
7	Mrs. Nguyen Thi Thu Huong	Member	45,183 shares	0.25%	Individual ownership

(*) Charter capital as of December 31, 2019
There was no independent member of Board of Directors

ACTIVITIES OF THE BOARD OF DIRECTORS

Board of Directors with term IV carried out 13 meetings. Convening the BoD meetings and absentee voting adhered to the regulations at the Company's Charter and applicable laws.

No.	Member of BoD	Position	Date of membership	Number of attendance	Percentage of attendance
1	Mr. Bui Tuan Ngoc	Chairman of BoD	05/12/2018	13/13	100%
2	Mr. Bui Minh Tuan	Member of BoD	05/12/2018	13/13	100%
3	Mr. Le Hung	Member of BoD	05/12/2018	13/13	100%
4	Mr. Nguyen Viet Cuong	Member of BoD	05/12/2018	13/13	100%
5	Mr. Lam Thu Thanh	Member of BoD	05/12/2018	13/13	100%
6	Mrs. Nguyen Minh Hang	Member of BoD	05/12/2018	13/13	100%
7	Mrs. Nguyen Thi Thu Huong	Member of BoD	05/12/2018	13/13	100%

Resolutions/Decisions of the Board of Directors in 2019

No.	Number of Resolution	Date	Contents
1	03/NQ-HĐQT/2019	19/02/2019	<u>Resolution of Board of Directors:</u> Approving the policy of executing the contracts of international transport transactions with related enterprises (Transimex Joint Stock Company)
2	05/NQ-HĐQT/2019	19/02/2019	<u>Resolution of Board of Directors:</u> Approving to hold Annual General Meeting of Shareholders for the year 2019. • Closing date: 27/03/2019 • Meeting date: 25/04/2019
3	07/NQ-HĐQT/2019	25/03/2019	<u>Resolution of Board of Directors:</u> Changing the name of subsidiary - Blue Garmex Saigon was changed into Garmex Quang Nam Company Limited



ACTIVITIES OF THE BOARD OF DIRECTORS

Resolutions/Decisions of the Board of Directors in 2019

No.	Number of Resolution	Date	Contents
4	08/NQ-HĐQT/2019	25/03/2019	Resolution of Board of Directors: Appointing Mrs. Nguyen Thi Thu Ha as Deputy of General Director in charge of Internal Affairs
5	09/NQ-HĐQT/2019	25/03/2019	Resolution of Board of Directors: Approving the change of holding the Annual General Meeting of Shareholders for the year 2019 at SHERATON SAIGON hotel - 80 Dong Du, Ben Nghe ward, District 1, HCMC.
6	15/NQ-HĐQT/2019	15/04/2019	Resolution of Board of Directors: Approving the content of reports and proposal submitted to the Annual General Meeting of Shareholders for the year 2019: 1. Agenda of the Annual General Meeting of Shareholders 2019 2. Regulation of the Annual General Meeting of Shareholders 2019 3. Ratifying reports: • Annual Report 2018 • Report of the Board of Management on the Business and Manufacturing activities in 2018. • Report of the Board of Directors on the Business and Manufacturing activities in 2018. • Supervisory Board's Report In 2018 • Audited Consolidated Financial Statements 2018 • Proposal on profit distribution in 2018 • Proposal on business and production plan in 2019 • Proposal on investment budget in 2019 • Proposal on the plan to issue dividend stocks. • Proposal on the plan to issue shares to existing shareholders • Proposal on amendments to the company's charter • Proposal on amendments to the company's internal regulation on corporate governance • Proposal on selecting auditing companies to perform auditing of the Financial Statements of the year 2019 • Proposal on remuneration and bonus of the Board of Directors, Board of Management and Board of Supervisors in 2019.

No.	Number of Resolution	Date	Contents
7	17/NQ-HĐQT/2019	13/05/2019	Resolution of Board of Directors: Approving the procedures to make dividend payment of the year 2018 in shares – Percentage of % 15% according to the resolution of the Annual General Meeting of Shareholders 2019.
8	18/NQ-HĐQT/2019	03/06/2019	Resolution of Board of Directors: Confirming the closing date to implement dividend payment of the year 2018 in shares – Percentage of % 15% according to the resolution of the Annual General Meeting of Shareholders 2019.
9	19/NQ-HĐQT/2019	24/06/2019	Resolution of Board of Directors: Selecting ERNST & YOUNG VIETNAM (E&Y) LIMITED COMPANY to perform the audit of semiannual Financial Statements and annual Financial Statements 2019 of the Company
10	23/NQ-HĐQT/2019	24/06/2019	Resolution of Board of Directors: Appointing Mrs. Huynh Thi Kim Loan as a person in charge of the Company's governance to replace Mr. Huynh Van Dung who resigned.
11	25/ NQ-HĐQT/2019	08/07/2019	Resolution of Board of Directors: Registering to increase charter capital of Garmex Saigon Corporation from 155,556,200,000 dong to 178,809,280,000 dong.
12	32/ NQ-HĐQT/2019	09/09/2019	Resolution of Board of Directors: Approving the dossiers to issue shares to existing shareholders with a ratio of 2:1
13	33/ NQ-HĐQT/2019	09/09/2019	Resolution of Board of Directors: Approving the plan to use the capital raised from the issuance to the public
14	41/NQ-HĐQT/2019	18/11/2019	Resolution of Board of Directors: Approving the Closing date to exercise the rights to buy shares for existing shareholders
15	43/NQ-HĐQT/2021	31/12/2019	Resolution of Board of Directors: Removing Mrs. NGUYEN THI THU HUONG from the position as Deputy of General Director of Garmex Saigon Corporation



ACTIVITIES OF THE BOARD OF DIRECTORS

The BoD's surveillance of the Board of Management

Regarding production and business management

Based on the 2019 business plan approved by the General Meeting of Shareholders, the Board of Management flexibly deployed manufacture and business solutions, monthly and weekly plans to fit with the actual situation and strategic direction of the Board of Directors. Building brand identity and developing technical heavy products the course of executive management of the Company complied with the law, the Company's Charter and the internal regulations on corporate governance.

Regarding financial management

- » The company's financial situation in the first 6 months of 2019 was healthy, capital was preserved and developed, ensuring harmonious interests of shareholders and employees.
- » Implementing the costs management, control and savings throughout the Company system
- » Information and report were timely updated, settlement were in compliance with regulations, ensuring the effectiveness of operation and business.
- » Supervising the allocation of the reward fund in 2018 to the Board of Directors, the Supervisory Board and key personnel in accordance with the Resolution of the Annual General Meeting of Shareholders 2019.

Regarding operational organization

The Board of Directors oversaw the restructuring of the Company's operating structure.

- » Reorganizing the Supply Chain, improve production parts and building Internal Control.
- » Building and perfecting the time-keeping mechanism for payroll, salary policy, bonuses, reviews and consolidating working processes for the effective operation of the company. Building a norm library, productivity, raw materials and accessories for modeling.
- » Organizing internal training and external training to improve the professional qualifications of managers as well as improve the skills of workers to meet the company's development strategy.

Sub-committee under Board of Directors

There was no sub-committee established under the Board of Directors Term IV. Currently, the Board of Directors operates on the basis of members discussing and deciding on the direction of development strategy, investment, human resources, remuneration as well as internal control, on which the Board of Management and management team is based to implement.

Corporate Governance Training

The members of the Board of Directors, members of the Supervisory Board, the Board of Management regularly updated documents and legal provisions on corporate governance. Together, person in charge of the corporate governance participated in training and disseminating courses on new regulations and corporate governance practices held by the SSC and Ho Chi Minh Stock Exchange.



TRANSACTIONS, REMUNERATION AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND BOARD OF SUPERVISORS

Transactions, remuneration and interests of the Board of Directors in 2019

No.	Full name	Position	Remuneration of the Board of Directors	Bonus	Salary	Total
1	Mr. Bui Tuan Ngoc	Chairman of BoD	33%	67%	0%	100%
2	Mr. Bui Minh Tuan	Member of BoD	33%	67%	0%	100%
3	Mr. Le Hung	Member of BoD cum General Director	33%	67%	0%	100%
4	Mr. Nguyen Viet Cuong	Member of BoD	33%	67%	0%	100%
5	Mr. Lam Thu Thanh	Member of BoD	33%	67%	0%	100%
6	Mrs. Nguyen Minh Hang	Member of BoD cum Deputy General Director, Financial Manager	3%	7%	90%	100%
7	Mrs. Nguyen Thi Thu Huong	Member of BoD cum Deputy General Director	3%	7%	90%	100%
8	Mrs. Phan Thi Phuong	Head of Supervisory Board	33%	67%	0%	100%
9	Mrs. Le Thi Chin	Member of Supervisory Board	33%	67%	0%	100%
10	Mrs. Tu Vi Tri	Member of Supervisory Board	33%	67%	0%	100%
11	Mrs. Nguyen Thi Thu Ha	Deputy of General Director	0%	0%	100%	100%



TRANSACTIONS, REMUNERATION AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND BOARD OF SUPERVISORS

Share transactions of internal persons and affiliated person of internal persons

No,	Person conducting transaction	Relationship with internal persons	Number of shares at the beginning of the period		Number of shares at the ending period		Reason for change
			Number of Shares	Percentage of total outstanding shares	Number of Shares	Percentage of total outstanding shares	
1	Director of ViNa Investment JSC	Chairman of Board of Directors and Member of BoD- Bùi Minh Tuấn	181.500	1,17%	0	0	Selling
2	TTA Investment JSC	Member of BoD - Bùi Minh Tuấn	393.500	2,54%	2.709.031	15,19%	Increasing number of shares held and obtaining 2018 dividend in shares
3	Lam Thu Thanh	Member of BoD	817.910	5,27%	940.596	5,27%	Increasing due to obtaining 2018 dividend in shares

In addition, there were transactions in which shareholders obtained internal persons' rights to buy additionally issued shares for existing shareholders and internal persons' affiliated institutions transferred the right to buy additional issued shares to existing shareholders were as follows:

Mr. Lam Tu Thanh - the member of the Board of Directors of the Company received the transfer of the purchase rights of two affiliated institutions with the following number of rights:

Tan A Company Limited (an organization related to a member of the Board of Directors - Mr.Lam Tu Thanh who was the Director - legal representative of the Company): Transferring 502,331 buying rights to Mr. Lam Tu Thanh

Tan A Company Limited (an organization related to a member of the Board of Directors - Mr.Lam Tu Thanh who was the Director - legal representative of the Company) transferred 502,331 rights to Mr. Lam Tu Thanh.

Other transactions of major shareholders in 2019

No	Person conducting transaction	Date of changing the holding percentage of major shareholders	Number of shares/ Number of outstanding shares before the transaction		Number of shares/ Number of outstanding shares after the transaction		Reason for change
			Number of Shares	Percentage of total outstanding shares	Number of Shares	Percentage of total outstanding shares	
		16/01/2019	1.795.610	11,58%	1.401.470	9,04%	Selling
		28/01/2019	1.401.470	9,04%	1.885.104	12,16%	Buying
		31/01/2019	1.885.104	12,16%	1.492.404	9,62%	Selling
1	Thua Thien Hue Investment And Import Export JSC	05/06//2019	1.492.404	9,62%	1.101.404	7,10%	Selling
		21/06/2019	1.101.404	7,10%	1.266.614	7,10%	Increasing due to obtaining 2018 dividend in shares
		25/09/2019	1.266.614	7,10%	2.118.419	11,88%	Buying

Contracts or transactions of internal shareholders

In 2019, there were no transactions involving internal persons (Chairman of the Board of Directors, members of the Board of Directors, Board of Directors, Chief Accountant). However, there were some transactions:

Between the company and affiliated persons

No.	Name of Institution/ individual	Relationship with the Company	Date of transaction with the company	Remark
1	Transimex Joint Stock Company	Chairman of Board of Directors the Company Transimex was The Chairman of Board of Directors the Company	Transaction involving goods transport for the Company from 19/02/2019	



TRANSACTIONS, REMUNERATION AND INTERESTS OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND BOARD OF SUPERVISORS

Contracts or transactions of internal shareholders

Transaction between the Company with its subsidiaries, between the Company with branches of the subsidiaries

No.	Name of Institution/individual	Relationship with the Company	Date of transaction with the company	Remark
1	Tan My Garment Company Limited	Subsidiary	Transactions related to processing garments; selling raw materials and accessories, renting and selling machinery and equipment; lease of factories from 2016 up to now was reflected in the Financial Statements	Transactions between the Company and its subsidiaries related to processing garments; selling raw materials and accessories, renting and selling machinery and equipment; lease of factories were the ones frequently arisen and in compliance with the Company's Charter and the Law on Enterprises.
2	Garmex Quang Nam Company Limited	Subsidiary	Transactions related to processing garments; selling raw materials and accessories, renting and selling machinery and equipment from 2016 up to now was reflected in the Financial Statements	

Transactions between the Company and other subjects (transactions between the Company with a company of which members of BoD, CEO have been founding member or member of BoD, General Director)

No.	Name of Institution/individual	Relationship with the Company	Transaction with the company	Remark
1	Transimex Joint Stock Company	Chairman of Board of Directors the Company Transimex was The Chairman of Board of Directors the Company	Transaction involving goods transport for the Company from 19/02/2019	
2	Tan My Garment Company Limited	Subsidiary Mrs. Nguyen Thi Thu Huong - chairman of the Company	Transactions related to processing garments; selling raw materials and accessories, renting and selling machinery and equipment; lease of factories from 2016 up to now was reflected in the Financial Statements	
3	Garmex Quang Nam Company Limited	Subsidiary Mrs. Nguyen Minh Hang - Chairwoman of the Company cum General Director	Transactions related to processing garments; selling raw materials and accessories, renting and selling machinery and equipment from 2016 up to now was reflected in the Financial Statements	

Transactions between the company and a company of which affiliated persons of members of BoD, members of the Supervisory Board, General Director was a member of the BoD or General Director:
None



A person in a light blue suit and patterned tie is pointing with a pen at a whiteboard. The whiteboard displays various charts, including a bar chart and a line graph. The background is a bright, slightly blurred office setting. The image is overlaid with a large, diagonal white and light blue graphic element that frames the text on the right side.

CHAPTER 6

SUPERVISORY BOARD'S REPORT IN 2019

- » Member of Supervisory Board
- » Activities of Supervisory Board

MEMBER OF SUPERVISORY BOARD

No.	Member	Position	Number of shares hold According to the list closed on December 3, 2019	Percentage of Charter capital
1	Mrs. Phan Thi Phuong	Head of Supervisory Board	4.531 CP	0,03%
2	Mrs. Le Thi Chin	Member	4.531 CP	0,03%
3	Mrs. Tu Vi Tri	Member	0 CP	0,00%

ACTIVITIES OF SUPERVISORY BOARD

General content

In 2019, the Supervisory Board conducted monitoring activities as follows:

- » Inspecting the operational situation and evaluating the quarterly and annual financial statements of the Parent Company and its subsidiaries; the Company's compliance with current accounting standards and financial regimes.
- » Supervising the activities of the Board of Directors, the Board of Management during the course of the implementation of the Resolution of the General Meeting of Shareholders such as: the plan deployment and implementation, the compliance with the charter, the current regulations in management, running business activities.

List of Supervisory Board meetings

In 2019, the Supervisory Board organized 08 meeting sessions to check and supervise issues related to the management and compliance in the Company's production and business activities. The organization of meetings of the Supervisory Board complied with the provisions of the charter and the current law provisions.

Implementation of Resolution of the General Meeting of Shareholders dated April 25, 2019

Implementation of business and production plan in 2019 Unit: dong

NO.	Parameter	Expected 2019	Actual 2019	Actual vs. expected
1	Total revenue	1,900,000,000,000	1,755,946,313,103	92.42%
2	Earnings before tax	78,000,000,000	134,865,495,349	172.9%
3	Dividend	20%-30%	-	-

Ending the year 2019, the Company's revenue and earnings before tax were equal to 92.42% and 72.9% of the plan

Implementation of borrowing plan

- Total borrowing limit approved by the General Meeting of Shareholders: 1,500 billion dong
- Total limit of loan circulated during the year: 1,419 billion dong
- Ending balance of borrowing: 248.5 billion dong

The Board of Management of the Company made reasonable estimates on the borrowing plan, so the total amount of circulated loans in 2019 was within the limit submitted to the General Meeting of Shareholders for approval of VND 1,500 billion.

The loan was used for adding to working capital, such as paying salaries to employees, purchasing raw materials ...

Distributing profit of the year 2018 by paying dividends and payment of remuneration to the BoD, Supervisory Board, rewarding key personnel.

Dividend payment by issuing shares

The Board of Directors, Board of Management implemented the plan of dividend payment by issuing shares with a percentage of % 15% in 06/2019 and these shares were additionally traded on 29/07/2019.

The increase in charter capital (due to the issuance of dividend shares): 23,253,080,000 dong

The Company's Charter capital as of December 31, 2019: 178,809,280,000 dong

Issuing shares to existing shareholders

The Board of Directors implemented the plan to offer shares to existing shareholders at a ratio of 2:1, the issuance completed on January 14, 2020.

After the issuance, the Company's charter capital was increased to 267,963,650,000 dong. Capital surplus was expected to be 44,577,185,000 dong. The amount added would be updated to the 1st quarter financial statements of the year 2020.

Making payment of remuneration to the BoD, Supervisory Board, rewarding key personnel.

The Company paid the remuneration to the Board of Directors, the Supervisory Board and rewarded key staff from the profit of the fiscal year 2018 in accordance with the plan approved by the General Meeting of Shareholders.

The plan for using the proceeds from the issuance was approved by the Board of Directors in accordance with the share issuance plan approved by the General Meeting of Shareholders: The proceeds from issuing shares would be used for adding to working capital, restructuring capital, adding to owner's equity, lowering debt ratio, enhancing the Company's financial health.

Selecting auditing company to perform the audit of the Company's financial statements for the fiscal year of 2019

The Board of Directors approved Ernst & Young Vietnam (EY) Company limited as the auditor of the Company's financial statements for the year 2019



ACTIVITIES OF SUPERVISORY BOARD

Assessment of the Supervisory Board on the Company's business and manufacturing outcomes and financial situation in 2019 as follows

Business and manufacturing outcomes

As the Company anticipated at the beginning of the year, orders in 2019 were lower than in 2018, because consumers tended to save more when the economy was affected by the US-China trade war. The revenue achieved 2019 decreased by 14.72% compared to a year earlier, and equal to 92.42% of the 2019 target.

However, earnings before tax realized in 2019 were 134,865,495,349 dong, equivalent to 172.9%, far exceeding the expectation because of following reasons:

» Improved profitability rate. The company reformed its salary and compensation policy in a more reasonable manner; implemented measures to save raw material costs, increase labor productivity, etc.; therefore, regardless a reduction of 14.72% in the revenue in comparison with 2018, the gross margin in 2019 was slightly lower with a rate of 1.07% compared to 2018.

» Selling expenses reduced by 42,236,369,447 dong (or a reduction of 66.67% in comparison with 2018), due to:

Lower export expenses.

Narrowing the activities of Blue Saigon LLC led to lower cost of sales staff of Blue Saigon LLC, production cost of samples used by Blue Saigon LLC

» Administrative expense went down by 27,285,854,213 dong (17.47% lower), because:

Remuneration, bonus policies were changed in a more appropriate manner, ensuring the employees to be promptly and effectively rewarded and motivated.

Lower outsourcing costs

» Financial expenses reduced by 9,754,092,792 dong, in which interest expenses reduced by 4,581,288,336 dong.

Briefly, although the 2019 revenue was lower than that of 2018 (about 85%), the earnings before tax in 2019 reached approximately the same amount as in 2018 (about 95%) thanks to business activities being organized in a better way, costs being more strictly controlled, and inefficient activities cut.

Assessment on the implementation of 2019 targets

Tan My Garment Company Limited

Business results in 2019 of Tan My Garment Company Limited was negative 15.26 billion dong (while in 2018 earnings before tax was 5.72 billion dong). The realized revenue was 93.72 billion dong, 38.11% lower than in 2018.

The loss was mainly due to lower revenue and personnel change causing lower productivity.

Garmex Quang Nam Company Limited

In comparison with 2018, Garmex Quang Nam Company Limited's business outcome were as follows: The realized revenue was 104.99 billion dong, 55.98% lower than in 2018. Earnings before tax were 655 million dong (while it was 19.66 billion dong in 2018).

The reason for the poor performance was attributable to the decline in revenue and the impact of Blue Saigon LLC's loss from inventory liquidation in 2019 (loss of \$284,806, equivalent to 6.636 billion dong).

Sai Gon – Tuong Long Company Limited

In 2019, Sai Gon Tuong Long Co., Ltd. ceased its production and business activities and focused on collecting debts, however, the dissolution procedures has not been carried out.

In 2019, the management reorganized the operation of Blue Saigon LLC Company (a US based subsidiary), reduced operating costs and implemented the liquidation of inventory, promoted debt collection in order to minimize the costs incurred for the following years while keeping a branch in the US active aiming at seeking for opportunities to develop customers in the US market.

Financial position as of December 31, 2019

No.	PARAMETER	2018	2019	2019-2018 CHANGE
I	ASSETS	1,010,673,715,603	1,028,987,846,193	18,314,130,590
1	Current asset	778,442,269,303	820,453,093,414	42,010,824,111
2	Non-current asset	232,231,446,300	208,534,752,779	- 23,696,693,521
II	LIABILITIES AND OWNER'S EQUITY	1,010,673,715,603	1,028,987,846,193	18,314,130,590
1	Liabilities:	630,076,425,609	545,562,879,290	- 84,513,546,319
2	Owner's equity	380,597,289,994	482,397,773,249	101,800,483,255
III	MAJOR FINANCIAL BENCHMARKS			
1	Current ratio	1.28	1.53	0.25
2	Quick ratio	0.21	0.43	0.22
3	Return on revenue ratio	5.85%	5.95%	0.1%
4	Return on Equity ROE	34.36%	24.18%	- 10.18%
5	Return on Asset ROA	12.55%	10.24%	-2.31%
6	Debt/total liabilities and Owner's equity	0.62	0.53	- 0.09
7	Debt/Owner's equity	1.66	1.13	-0.53



ACTIVITIES OF SUPERVISORY BOARD

Financial position as of December 31, 2019

In Supervisory Board' opinion, the Company's financial position as of December 31, 2019 was strong with reasonable capital structure; The Board of Management controlled the financial situation, ensured stable business operations and solvency.

The Supervisory Board agreed with the opinion opinion of auditor who was Ernst & Young Vietnam (EY) Company limited on the Company's financial statements. The financial statements truthfully and reasonably reflected the Company's financial position as of December 31, 2019, as well as the consolidated business results and cash flow situation for the financial year ending on the same day, in accordance with Vietnamese accounting standards, corporate accounting regimes and legal provisions related to the preparation and presentation of the consolidated financial statements for the year 2019.

Surveillance result of the Supervisory Board on the Board of Directors, Board of Management activities in 2019

- » The Board of Directors actively implemented the contents and plans approved by the General Meeting of Shareholders, such as dividend payment plan, plan to issue shares to existing shareholders, ...
- » The BoD always responded in a timely manner to issues raised by the Board of Management for solutions, ensuring that matters under the competence of the BoD were flexibly and timely resolved.
- » The Board of management implemented many solutions to reduce costs, develop processes to manage the quality, apparatus, purchasing processes, etc. to control spending and procurement. Also, emulation, initiatives promotion to enhance working productivity and product quality were seriously concerned.
- » The efforts of both the Board of Directors and the Board of Management were also reflected through stabilizing the labor situation which were much of fluctuation during the first months of the year, maintaining the core workforce, highly skilled, firmly keeping its competitive advantage, thus creating synergy from its internal resources, contributing to the positive results in 2019, with earnings before tax exceeding the targets approved by the General Meeting of Shareholders.
- » The Board of Management ensured its compliance with the Company's Charter and Internal Regulations to submit to the Board of Directors for approval of all important issues, with the legitimate rights and interests of the company guaranteed when conducting transactions with related persons.
- » The Board of Directors and the Board of Management were always in a high consensus in resolving issues that arose during the course of management and administration of the company's general operations.

Assessment on the coordination between Supervisory Board, Board of Directors and Board Of Management during 2019.

- » The Board of Directors, General Director did create favorable conditions for the Supervisory Board to access the Company's records and documents upon its request.
- » All activities of the Board of Supervisors, the Board of Directors and the Board of Management were closely coordinated, open and united on the basis of the compliance with the current provisions of the Law on Enterprises, the Company's Charter and the Internal Regulation on Corporate governance in order to create favorable conditions to together complete the tasks assigned by the General Meeting of Shareholders.

Opinion of the Supervisory Board

- » The Board of Directors and Board of Management soon completed the development of the Company's Financial Regulations to better manage the financial-related risks in business and investment activities.
- » The Board of Management deployed solutions to improve the business performance of subsidiaries and affiliates, overcome losses incurred by the subsidiaries, and contribute to improving the overall performance of the Garmex Saigon JSC.
- » The Board of Management organized the settlement of raw materials consumption and accounting of work in process, so that more effective solutions were applied to save the cost of raw materials consumption and good control of inventory, in pursuit of higher operational efficiency for the company.





CHAPTER 7

FINANCIAL REPORT

Garmex Saigon Corporation

Consolidated financial statements

For the year ended 31 December 2019

Garmex Saigon Corporation

CONTENTS

	<i>Pages</i>
General information	1 - 2
Report of the management	3
Independent auditors' report	4 - 5
Consolidated balance sheet	6 - 7
Consolidated income statement	8
Consolidated cash flow statement	9 - 10
Notes to the consolidated financial statements	11 - 38



Garmex Saigon Corporation

GENERAL INFORMATION

THE COMPANY

Garmex Saigon Corporation (formerly known as Saigon Garment Manufacturing Trade Joint Stock Company) ("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.

On 3 May 2019, the Company obtained the 15th ERC No. 0300742387 issued by the Department of Planning and Investment of Ho Chi Minh City, approving the change of its name from Saigon Garment Manufacturing Trade Joint Stock Company to Garmex Saigon Corporation.

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 manufacturing 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 SUPERVISORS

Members of the Board of Supervisors 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 Board of Directors 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	
Ms Nguyen Thi Thu Huong	Deputy General Director	resigned on 5 January 2020

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.



Management of Garmex Saigon Corporation (formerly known as Saigon Garment Manufacturing Trade Joint Stock Company) ("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 2019.

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 2019, 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

8 April 2020



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2 Hai Trieu Street, District 1
Ho Chi Minh City, S.R. of Vietnam

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Fax: +84 28 3824 5250
ey.com

Reference: 61192495/21174458-HN

INDEPENDENT AUDITORS' REPORT

To: The Shareholders of Garmex Saigon Corporation

We have audited the accompanying consolidated financial statements of Garmex Saigon Corporation (formerly known as Saigon Garment Manufacturing Trade Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as prepared on 8 April 2020 and set out on pages 6 to 38, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

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 management determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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



CONSOLIDATED BALANCE SHEET
as at 31 December 2019


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 2019, 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



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


Ngo Thi Thuy Hoa
Auditor
Audit Practicing Registration Certificate
No. 4171-2017-004-1

Ho Chi Minh City, Vietnam

8 April 2020

VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		820,453,093,414	778,442,269,303
110	I. Cash and cash equivalents	4	232,495,169,949	128,163,362,782
111	1. Cash		214,315,169,949	127,152,355,519
112	2. Cash equivalents		18,180,000,000	1,011,007,263
130	II. Current accounts receivable		221,745,997,662	327,481,939,937
131	1. Short-term trade receivables	5	216,234,271,920	324,616,363,713
132	2. Short-term advances to suppliers	6	6,339,599,065	2,223,854,503
136	3. Other short-term receivables		256,230,121	1,278,816,774
137	4. Provision for doubtful short-term receivables	5	(1,084,103,444)	(637,095,053)
140	III. Inventories	7	330,556,667,514	291,441,659,759
141	1. Inventories		338,750,550,113	302,973,265,022
149	2. Provision for obsolete inventories		(8,193,882,599)	(11,531,605,263)
150	IV. Other current assets		35,655,258,289	31,355,306,825
151	1. Short-term prepaid expenses	8	1,076,460,087	1,213,433,848
152	2. Value-added tax deductible		34,578,798,202	30,141,872,977
200	B. NON-CURRENT ASSETS		208,534,752,779	232,231,446,300
210	I. Long-term receivable		187,272,000	299,727,750
216	1. Other long-term receivables		187,272,000	299,727,750
220	II. Fixed assets		158,334,791,979	177,257,402,377
221	1. Tangible fixed assets	9	157,348,355,125	175,173,940,211
222	Cost		376,511,056,271	369,175,318,951
223	Accumulated depreciation		(219,162,701,146)	(194,001,378,740)
227	2. Intangible assets	10	986,436,854	2,083,462,166
228	Cost		6,922,821,015	6,923,918,340
229	Accumulated amortisation		(5,936,384,161)	(4,840,456,174)
240	III. Long-term asset in progress		11,863,383,000	12,269,539,240
242	1. Construction in progress	11	11,863,383,000	12,269,539,240
250	IV. Long-term investments	12	17,067,478,219	17,067,478,219
252	1. Investment in an associate		4,631,843,219	4,631,843,219
253	2. Investments in other entities		15,395,180,000	15,395,180,000
254	3. Provision for long-term investments		(2,959,545,000)	(2,959,545,000)
260	V. Other long-term assets		21,081,827,581	25,337,298,714
261	1. Long-term prepaid expenses	8	20,988,289,039	24,613,997,990
262	2. Deferred tax assets	28.3	93,538,542	723,300,724
270	TOTAL ASSETS		1,028,987,846,193	1,010,673,715,603

CONSOLIDATED BALANCE SHEET (continued)
as at 31 December 2019

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		545,562,879,290	630,076,425,609
310	I. Current liabilities		535,593,787,542	609,380,925,609
311	1. Short-term trade payables	13	157,013,335,958	145,636,162,497
312	2. Short-term advances from customers	14	3,123,284,213	7,395,887,475
313	3. Statutory obligations	15	10,212,918,235	33,369,397,757
314	4. Payables to employees		88,532,506,545	71,818,079,424
315	5. Short-term accrued expenses	16	8,202,415,062	8,542,236,183
319	6. Other short-term payables	17	15,972,089,354	12,498,980,822
320	7. Short-term loans	18	248,523,249,005	324,653,343,590
322	8. Bonus and welfare fund	19	4,013,989,170	5,466,837,861
330	II. Non-current liabilities		9,969,091,748	20,695,500,000
338	1. Long-term loans	18	-	13,695,500,000
342	2. Long-term provisions	20	9,969,091,748	7,000,000,000
400	D. OWNERS' EQUITY		483,424,966,903	380,597,289,994
410	I. Capital	21.1	483,424,966,903	380,597,289,994
411	1. Share capital		178,809,280,000	155,556,200,000
411a	- Shares with voting rights		178,809,280,000	155,556,200,000
412	2. Share premium		28,314,942,370	28,314,942,370
415	3. Treasury shares		(863,138,686)	(863,138,686)
417	4. Foreign exchange differences reserve		(1,094,916,440)	(1,193,786,099)
418	5. Investment and development fund		67,859,802,989	67,859,802,989
421	6. Undistributed earnings		210,171,523,089	130,680,090,336
421a	- Undistributed earnings by the end of prior year		105,706,776,252	40,486,874,482
421b	- Undistributed earnings of the current year		104,464,746,837	90,193,215,854
429	7. Non-controlling interests		227,473,581	243,179,084
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,028,987,846,193	1,010,673,715,603

Nguyen Thi Diem
Preparer

Tran Thi My Hanh
Chief Accountant

Le Hung
General Director

8 April 2020



CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2019

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenues from sale of goods and rendering of services	22.1	1,749,298,426,118	2,045,323,234,469
02	2. Deductions	22.1	1,527,441,135	6,422,642,213
10	3. Net revenues from sale of goods and rendering of services	22.1	1,747,770,984,983	2,038,900,592,256
11	4. Cost of goods sold and services rendered	23	1,454,755,430,378	1,675,340,217,269
20	5. Gross profit from sale of goods and rendering of services		293,015,554,605	363,560,374,987
21	6. Finance income	22.2	6,803,791,434	17,133,090,816
22	7. Finance expenses	24	12,768,616,127	22,522,708,919
23	In which: Interest expense		7,935,437,715	12,516,726,051
24	8. Shares of profit of an associate	12.1	-	290,843,219
25	9. Selling expenses	25	21,113,759,101	63,350,128,548
26	10. General and administrative expenses	25	128,925,810,508	156,211,664,721
30	11. Operating profit		137,011,160,303	138,899,806,834
31	12. Other income	26	1,371,536,686	2,912,862,156
32	13. Other expenses	26	3,517,201,640	350,813,376
40	14. Other (loss) profit	26	(2,145,664,954)	2,562,048,780
50	15. Accounting profit before tax		134,865,495,349	141,461,855,614
51	16. Current income tax expense	28.1	29,786,691,833	33,244,723,752
52	17. Deferred tax expense (income)	28.3	629,762,182	(12,181,712,297)
60	18. Net profit after tax		104,449,041,334	120,398,844,159
61	19. Net profit after tax attributable to shareholders of the parent		104,464,746,837	120,936,297,241
62	20. Net loss after tax attributable to non-controlling interests		(15,705,503)	(537,453,082)
70	21. Basic earnings per share	21.5	5,858	6,782
71	22. Diluted earnings per share	21.5	5,858	6,782

Nguyen Thi Diem
Preparer

Tran Thi My Hanh
Chief Accountant

Le Hung
General Director

8 April 2020



CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2019

VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Accounting profit before tax		134,865,495,349	141,461,855,614
	<i>Adjustments for:</i>			
02	Depreciation and amortization of fixed assets	9, 10	27,211,767,831	28,434,461,223
03	Provisions		78,377,475	19,114,470,316
04	Foreign exchange losses (gains) arisen from revaluation of monetary accounts denominated in foreign currencies		1,245,439,615	(185,976,476)
05	Profits from investing activities		(64,598,727)	(8,161,412,603)
06	Interest expense	24	7,935,437,715	12,516,726,051
08	Operating profit before changes in working capital		171,271,919,258	193,180,124,125
09	Decrease (increase) in receivables		102,131,574,466	(61,056,897,789)
10	Increase in inventories		(35,791,789,454)	(35,756,680,434)
11	Increase in payables		22,654,276,476	48,871,172,854
12	Decrease in prepaid expenses		4,477,126,329	2,110,886,754
14	Interest paid		(8,310,690,808)	(12,646,514,459)
15	Corporate income tax paid	15	(49,515,219,324)	(13,260,108,430)
17	Other cash outflows for operating activities		(3,173,082,775)	(23,300,340,483)
20	Net cash flows from operating activities		203,744,114,168	98,141,642,138
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase and construction of fixed assets		(8,979,256,860)	(17,851,253,401)
22	Proceeds from disposals of fixed assets		-	1,204,346,539
26	Proceeds from sale of investments in other entities		-	6,870,850,000
27	Dividends and interest received		64,598,727	2,133,662,300
30	Net cash flows used in investing activities		(8,914,658,133)	(7,642,394,562)

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


VND

Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
33	Drawdown of borrowings	18	1,418,549,453,411	1,510,935,047,203
34	Repayment of borrowings	18	(1,509,026,729,512)	(1,523,853,909,678)
36	Dividends paid	21.3	(4,456,325)	(46,513,353,000)
40	Net cash flows used in financing activities		(90,481,732,426)	(59,432,215,475)
50	Net increase in cash for the year		104,347,723,609	31,067,032,101
60	Cash and cash equivalents at beginning of year		128,163,362,782	96,874,718,179
61	Impact of exchange rate fluctuation		(15,916,442)	221,612,502
70	Cash and cash equivalents at end of year	4	232,495,169,949	128,163,362,782


Nguyen Thi Diem
Preparer


Tran Thi My Hanh
Chief Accountant




Le Hung
General Director

8 April 2020



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

1. CORPORATE INFORMATION

Garmex Saigon Corporation (formerly known as Saigon Garment Manufacturing Trade Joint Stock Company) ("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.

On 3 May 2019, the Company obtained the 15th ERC No. 0300742387 issued by the Department of Planning and Investment of Ho Chi Minh City, approving the change of its name from Saigon Garment Manufacturing Trade Joint Stock Company to Garmex Saigon Corporation.

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 2019 was 3,773 (31 December 2018: 4,121).

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 2019	31 December 2018
			(%)	(%)
(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 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 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 2019.

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 2019 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 and 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 2019 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 2019 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 2019 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 2019 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 2019 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 Group 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 Group and other party are under common control or under common significant influence. Related parties can be enterprise or individual, including close members of the family of any such individual.



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

4. CASH AND CASH EQUIVALENTS

	VND	
	Ending balance	Beginning balance
Cash on hand	202,228,008	119,369,160
Cash in banks	213,897,185,408	125,880,051,744
Cash in transit	215,756,533	1,152,934,615
Cash equivalents (*)	18,180,000,000	1,011,007,263
TOTAL	232,495,169,949	128,163,362,782

(*) 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 ranging from 4.6% to 4.8% per annum.

5. SHORT-TERM TRADE RECEIVABLES

	VND	
	Ending balance	Beginning balance
Promiles S.N.C	117,012,421,543	173,102,765,477
Columbia Sportswear Company (Hongkong) Ltd	52,923,690,284	108,247,683,496
New Wave Group SA	15,962,623,641	1,510,853,755
Others	30,335,536,452	41,755,060,985
TOTAL	216,234,271,920	324,616,363,713
Provision for doubtful short-term receivables	(1,084,103,444)	(637,095,053)
NET	215,150,168,476	323,979,268,660

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

	VND	
	Current year	Previous year
Beginning balance	637,095,053	-
Add: Provision made during the year	596,827,379	637,095,053
Less: Utilisation and reversal of provision during the year	(149,818,988)	-
Ending balance	1,084,103,444	637,095,053

6. SHORT-TERM ADVANCES TO SUPPLIERS

	VND	
	Ending balance	Beginning balance
Viking Torch Far East Limited	1,940,433,856	-
4/10 Fire Protection Equipment Center	1,375,773,840	-
Others	3,023,391,369	2,223,854,503
TOTAL	6,339,599,065	2,223,854,503

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

7. INVENTORIES

	VND			
	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Raw materials	216,405,361,118	(3,989,162,911)	192,174,696,265	(83,179,634)
Finished goods	110,064,964,062	(4,204,719,688)	104,492,177,422	(11,448,425,629)
Work in process	5,096,973,142	-	4,030,919,993	-
Goods in transit	4,671,097,658	-	-	-
Tools and supplies	2,077,686,133	-	2,275,471,342	-
Merchandise goods	434,468,000	-	-	-
TOTAL	338,750,550,113	(8,193,882,599)	302,973,265,022	(11,531,605,263)

Movements of provision for obsolete inventories:

	VND	
	Current year	Previous year
Beginning balance	11,531,605,263	-
Add: Provision made during the year	7,592,410,138	11,531,605,263
Less: Reversal of provision during the year	(10,930,132,802)	-
Ending balance	8,193,882,599	11,531,605,263

8. PREPAID EXPENSES

	VND	
	Ending balance	Beginning balance
Short-term	1,076,460,087	1,213,433,848
Repair expenses	252,461,334	223,121,758
Others	823,998,753	990,312,090
Long-term	20,988,289,039	24,613,997,990
Prepaid land rental	14,362,700,559	14,735,660,762
Tools and supplies	4,228,901,675	4,824,131,284
Machine and equipment	1,668,742,292	3,513,957,821
Others	727,944,513	1,540,248,123
TOTAL	22,064,749,126	25,827,431,838



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

9. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Means of transportation	Office equipment	VND Total
Cost					
Beginning balance	184,670,922,459	157,024,972,132	13,971,156,513	13,508,267,847	369,175,318,951
New purchases	962,900,000	6,674,184,730	114,000,000	1,253,352,240	9,004,436,970
Reclassification to long-term prepaid expenses	-	(1,667,811,000)	-	-	(1,667,811,000)
Foreign exchange differences	-	-	-	(888,650)	(888,650)
Ending balance	185,633,822,459	162,031,345,862	14,085,156,513	14,760,731,437	376,511,056,271
<i>In which:</i>					
Fully depreciated	23,902,858,557	75,220,457,894	7,313,947,784	8,172,299,021	114,609,563,256
Accumulated depreciation					
Beginning balance	59,307,382,080	114,000,869,433	9,378,864,145	11,314,263,082	194,001,378,740
Depreciation for the year	8,261,070,026	15,358,875,917	1,216,258,977	1,278,621,953	26,114,826,873
Reclassification to long-term prepaid expenses	-	(953,034,864)	-	-	(953,034,864)
Foreign exchange differences	-	-	-	(469,603)	(469,603)
Ending balance	67,568,452,106	128,406,710,486	10,595,123,122	12,592,415,432	219,162,701,146
Net carrying amount					
Beginning balance	125,363,540,379	43,024,102,699	4,592,292,368	2,194,004,765	175,173,940,211
Ending balance	118,065,370,353	33,624,635,376	3,490,033,391	2,168,316,005	157,348,355,125

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

10. INTANGIBLE ASSETS

	VND Computer software
Cost	
Beginning balance	6,923,918,340
Foreign exchange differences	(1,097,325)
Ending balance	6,922,821,015
<i>In which:</i>	
Fully amortised	379,167,965
Accumulated amortization	
Beginning balance	4,840,456,174
Amortization for the year	1,096,940,958
Foreign exchange differences	(1,012,971)
Ending balance	5,936,384,161
Net carrying amount	
Beginning balance	2,083,462,166
Ending balance	986,436,854

11. CONSTRUCTION IN PROGRESS

	VND	
	Ending balance	Beginning balance
Land at 213 Hong Bang Tan My Garment Factory project at the Hac Dich Industry Zone (i)	10,020,000,000	10,020,000,000
Others	1,843,383,000	1,843,383,000
	-	406,156,240
TOTAL	11,863,383,000	12,269,539,240

(i) This is the amount that the Group has paid to Phu My Corporation to lease two (2) land plots No. 479 and No. 450 located at Group 8, Trang Cat Hamlet, Hac Dich Commune, Tan Thanh District, Ba Ria - Vung Tau Province to build houses for workers.



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

12. LONG-TERM INVESTMENTS

	Ending balance		Beginning balance		VND
	Cost	Provision	Cost	Provision	
Investment in an associate (Note 12.1)	4,631,843,219	-	4,631,843,219	-	
Investment in other entities (Note 12.2)	15,395,180,000	(2,959,545,000)	15,395,180,000	(2,959,545,000)	
TOTAL	20,027,023,219	(2,959,545,000)	20,027,023,219	(2,959,545,000)	

12.1 Investment in an associate

Name	Ending balance		Beginning balance		VND
	Ownership %	Amount	Ownership %	Amount	
Phu My Corporation	32.67	4,631,843,219	32.67	4,631,843,219	

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

VND
Phu My
Corporation

Cost of investment:

Beginning and ending balances

4,341,000,000

Accumulated share in post-acquisition profit of the associate:

Beginning and ending balances

290,843,219

Carrying amount:

Beginning and ending balances

4,631,843,219

Garmex Saigon Corporation

B09-DN/HN

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

12. LONG-TERM INVESTMENTS (continued)

12.2 Investment in other entities

Name of entity	Ending balance		Beginning balance		VND
	Number of shares	Cost of investment	Number of shares	Cost of investment	
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	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		15,395,180,000	(2,959,545,000)

(*) The fair value of these investments were not determined due to absence of necessary information as at the balance sheet date.

(**) The fair value of the investment in Joint Stock Commercial Bank for Foreign Trade of Vietnam as at 31 December 2019 was VND 2,278,993,200.

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

13. SHORT-TERM TRADE PAYABLES

	VND	
	Ending balance	Beginning balance
Due to suppliers	156,121,487,404	145,538,165,671
- Desipro Pte. Ltd	51,799,778,485	36,602,108,047
- YKK Vietnam Co., Ltd	18,154,822,930	26,749,643,293
- Others	86,166,885,989	82,186,414,331
Due to related parties (Note 29)	891,848,554	97,996,826
TOTAL	157,013,335,958	145,636,162,497

14. SHORT-TERM ADVANCES FROM CUSTOMERS

	VND	
	Ending balance	Beginning balance
Topo Designs	2,686,337,125	1,827,232,697
Seeland International A/S	-	4,643,580,506
Others	436,947,088	925,074,272
TOTAL	3,123,284,213	7,395,887,475

15. STATUTORY OBLIGATIONS

	VND			
	Beginning balance	Increase in year	Decrease in year	Ending balance
Corporate income tax	28,540,295,813	29,786,691,833	(49,515,219,324)	8,811,768,322
Value-added tax	1,003,993,167	15,902,705,141	(16,131,239,769)	775,458,539
Personal income tax	3,805,300,452	3,809,522,819	(7,273,891,384)	340,931,887
Other taxes	19,808,325	3,341,921,053	(3,076,969,891)	284,759,487
TOTAL	33,369,397,757	52,840,840,846	(75,997,320,368)	10,212,918,235

16. SHORT-TERM ACCRUED EXPENSES

	VND	
	Ending balance	Beginning balance
Annual leave salary	5,593,053,043	6,099,088,090
Penalty expense (Note 17)	1,207,500,000	-
Others	1,401,862,019	2,443,148,093
TOTAL	8,202,415,062	8,542,236,183

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

17. OTHER SHORT-TERM PAYABLES

	VND	
	Ending balance	Beginning balance
Deposit received (*)	9,000,000,000	9,000,000,000
Advance received from shareholders for purchase of new shares	4,499,857,479	-
Trade union fee and insurance	1,772,518,875	2,137,348,069
Others	699,713,000	1,361,632,753
TOTAL	15,972,089,354	12,498,980,822

(*) The balance represented a deposit received from Duy Duc Sai Gon Real Estate Investment Joint Stock Company ("Duy Duc Sai Gon") under the contract No. 02.18/HDNT dated 19 April 2018.

In accordance with the contract liquidation minutes dated 9 March 2020, the Group and Duy Duc Sai Gon agreed to terminate the contract No. 02.18/HDNT mentioned above and the Group is required to refund the deposit from Duy Duc Sai Gon of VND 9,000,000,000 plus an interest at the rate of 7% p.a. amounting to VND 1,207,500,000.



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

18. LOANS

	Beginning balance	Drawdown in year	Payment in year	Foreign exchange differences	Ending balance
Short-term	324,653,343,590	1,418,549,453,411	(1,495,331,229,512)	651,681,516	248,523,249,005
Loan from banks (*)	320,439,343,590	1,418,549,453,411	(1,491,117,229,512)	651,681,516	248,523,249,005
Current portion of long-term loan from a bank	4,214,000,000	-	(4,214,000,000)	-	-
Long-term	13,695,500,000	-	(13,695,500,000)	-	-
Loan from a bank	13,695,500,000	-	(13,695,500,000)	-	-
TOTAL	338,348,843,590	1,418,549,453,411	(1,509,026,729,512)	651,681,516	248,523,249,005

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

Banks	Ending balance		Original amount	Maturity date	Description of collateral
	VND	USD			
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ho Chi Minh City Branch	245,753,637,065	10,583,705	10,583,705	From 11 May 2020 to 29 June 2020	The Company's contributed capital in Garmex Quangnam Company Limited
Military Commercial Joint Stock Bank - North Saigon Branch	2,769,611,940	119,277	119,277	25 June 2020	Unsecured
TOTAL	248,523,249,005	10,702,982	10,702,982		

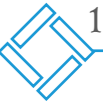
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

19. BONUS AND WELFARE FUND

	Current year	Previous year
Beginning balance	5,466,837,861	16,967,850,415
Appropriation from undistributed earnings (Note 21.1)	-	4,598,955,864
Utilization of fund	(1,452,848,691)	(16,099,968,418)
Ending balance	<u>4,013,989,170</u>	<u>5,466,837,861</u>

20. 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 2019 and for the year then ended

21. OWNERS' EQUITY

21.1 Increase and decrease in owners' equity

	Share capital	Share premium	Treasury shares	Foreign exchange differences		Investment and development fund	Undistributed earnings	Non-controlling interests	Total
				reserve	differences				
Previous year									VND
Beginning balance	155,556,200,000	28,314,942,370	(863,138,686)	(471,967,012)	67,859,802,989	69,103,911,012	780,632,166	320,280,382,839	
Net profit (loss) for the year	-	-	-	-	-	120,936,297,241	(537,453,082)	120,398,844,159	
Bonus to the Board of Directors, the management and the Board of Supervision	-	-	-	-	-	(8,242,082,053)	-	(8,242,082,053)	
Appropriated to funds	-	-	-	-	-	(4,598,955,864)	-	(4,598,955,864)	
Dividends declared	-	-	-	-	-	(46,519,080,000)	-	(46,519,080,000)	
Foreign exchange differences	-	-	-	(721,819,087)	-	-	-	(721,819,087)	
Ending balance	155,556,200,000	28,314,942,370	(863,138,686)	(1,193,786,099)	67,859,802,989	130,680,090,336	243,179,084	380,597,289,994	
Current year									
Beginning balance	155,556,200,000	28,314,942,370	(863,138,686)	(1,193,786,099)	67,859,802,989	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	
Share dividends	23,253,080,000	-	-	-	-	(23,253,080,000)	-	-	
Bonus to the Board of Directors, the management and the Board of Supervision	-	-	-	-	-	(1,720,234,084)	-	(1,720,234,084)	
Foreign exchange differences	-	-	-	98,869,659	-	-	-	98,869,659	
Ending balance	178,809,280,000	28,314,942,370	(863,138,686)	(1,094,916,440)	67,859,802,989	210,171,523,089	227,473,581	483,424,966,903	

29

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

21. OWNERS' EQUITY (continued)

21.2 Capital transactions with owners

	VND	
	Current year	Previous year
Contributed share capital		
Beginning balance	155,556,200,000	155,556,200,000
Share dividends (*)	23,253,080,000	-
Ending balance	178,809,280,000	155,556,200,000

(*) In accordance with the Annual General Meeting Resolution No. 01/NQ-DHDCD.2019 dated 25 April 2019 and the Board of Directors' Resolution No. 17/NQ-HDQT/2019 dated 13 May 2019, the Company issued 2,325,308 shares to pay the 2nd dividend for 2018 to its existing shareholders.

Accordingly, the Company's registered charter capital has been increased from VND 155,556,200,000 to VND 178,809,280,000 according to 16th amended ERC issued by the Department of Planning and Investment of Ho Chi Minh City dated 18 July 2019.

21.3 Dividends

	VND	
	Current year	Previous year
Declared during the year	23,253,080,000	46,519,080,000
Dividends for 2017: VND 1,500 per share	-	23,259,540,000
Interim dividends for 2018: VND 1,500 per share	-	23,259,540,000
Share dividends for 2018	23,253,080,000	-
Paid during the year	23,257,536,325	46,513,353,000
Paid by cash	4,456,325	46,513,353,000
Share dividends	23,253,080,000	-

21.4 Shares

	Quantity	
	Ending balance	Beginning balance
Authorized shares	17,880,928	15,555,620
Issued and paid-up shares		
Ordinary shares	17,880,928	15,555,620
Treasury shares		
Ordinary shares	(49,260)	(49,260)
Shares in circulation		
Ordinary shares	17,831,668	15,506,360



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

21. OWNERS' EQUITY (continued)**21.5 Earnings per share**

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

	Current year	Previous year (restated)
Net profit after tax attributable to ordinary shareholders (VND)	104,464,746,837	120,936,297,241
Net profit after tax attributable to ordinary shareholders for basic earnings (VND) (*)	104,464,746,837	120,936,297,241
Weighted average number of ordinary shares (**)	17,831,668	17,831,668
Earnings per share (VND)		
Basic earnings per share	5,858	6,782
Diluted earnings per share	5,858	6,782

(*) Profit used to compute earnings per share for the year 2019 was not adjusted for the appropriation to bonus and welfare fund from the 2019 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 2018 as presented in the consolidated financial statements for the year 2018 was restated to reflect the dividend paid in form of shares issued of the year 2019.

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.

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

22. REVENUES**22.1 Revenue from sales of goods and rendering of services**

	Current year	VND Previous year
Gross revenue	1,749,298,426,118	2,045,323,234,469
Export sale	1,740,865,680,384	2,026,509,293,826
Domestic sale	8,432,745,734	18,813,940,643
Less	(1,527,441,135)	(6,422,642,213)
Sales returns	(1,092,661,449)	(3,617,584,527)
Sales allowances	(434,779,686)	-
Trade discounts	-	(2,805,057,686)
NET REVENUE	1,747,770,984,983	2,038,900,592,256

22.2 Finance income

	Current year	VND Previous year
Foreign exchange gains	6,739,192,707	10,047,728,516
Interest income	64,598,727	150,360,500
Gain from disposal of an investment	-	4,951,700,000
Dividend and profit shared	-	1,983,301,800
TOTAL	6,803,791,434	17,133,090,816

23. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year	VND Previous year
Cost of goods sold and services rendered	1,458,093,153,042	1,663,808,612,006
(Reversal of provision) provision for obsolete inventories	(3,337,722,664)	11,531,605,263
TOTAL	1,454,755,430,378	1,675,340,217,269

24. FINANCE EXPENSES

	Current year	VND Previous year
Loan interests	7,935,437,715	12,516,726,051
Foreign exchange losses	4,833,178,412	10,059,439,642
Reversal of provision for investments	-	(53,456,774)
TOTAL	12,768,616,127	22,522,708,919



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

25. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	VND	
	Current year	Previous year
Selling expenses	21,113,759,101	63,350,128,548
Expenses for external services	20,086,868,703	58,686,683,126
Others	1,026,890,398	4,663,445,422
General and administrative expenses	128,925,810,508	156,211,664,721
Labour cost	94,597,027,277	120,997,067,567
Expenses for external services	11,876,197,093	14,756,443,380
Depreciation and amortization of fixed assets	8,611,326,272	9,668,456,130
Others	13,841,259,866	10,789,697,644
TOTAL	150,039,569,609	219,561,793,269

26. OTHER INCOME AND EXPENSES

	VND	
	Current year	Previous year
Other income	1,371,536,686	2,912,862,156
Others	1,371,536,686	2,912,862,156
Other expenses	(3,517,201,640)	(350,813,376)
Penalty (*)	(1,207,500,000)	-
Others	(2,309,701,640)	(350,813,376)
NET OTHER (LOSS) PROFIT	(2,145,664,954)	2,562,048,780

(*) The current year amount represented the penalty interest in accordance with the contract liquidation minutes dated 9 March 2020 between the Group and Duy Duc Sai Gon (Note 17).

27. PRODUCTION AND OPERATING COSTS

	VND	
	Current year	Previous year
Raw materials	822,688,577,770	1,012,173,501,831
Labour costs	510,478,498,549	531,645,567,830
Expenses for external services	251,868,195,361	300,035,807,733
Depreciation and amortization of fixed assets (Notes 9 and 10)	27,211,767,831	28,434,461,223
Others	19,652,824,163	23,867,591,848
TOTAL	1,631,899,863,674	1,896,156,930,465

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

28. 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.

28.1 CIT expense

	VND	
	Current year	Previous year
Current tax expense	28,022,384,975	33,158,179,715
Adjustment for under accrual of tax from prior years	1,764,306,858	86,544,037
Deferred tax expense (income)	629,762,182	(12,181,712,297)
TOTAL	30,416,454,015	21,063,011,455



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

28. CORPORATE INCOME TAX (continued)

28.1 CIT expense (continued)

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	134,865,495,349	141,461,855,614
At CIT rate applicable to companies in the Group	26,157,267,110	25,443,184,870
<i>Adjustments:</i>		
Non-deductible expenses	281,712,190	216,174,773
Foreign exchange (gains) losses arising from revaluation of monetary accounts denominated in foreign currency	(63,146,149)	57,461,559
Dividend income	-	(4,042,560)
Unrealised profits	(350,942,245)	(197,079,444)
Provision for doubtful receivables	936,775,185	(5,239,316,558)
Provision for investments	(1,708,046,125)	-
Share of profit of an associate	-	(58,168,644)
Tax loss not yet recognised deferred tax	4,216,188,698	2,893,500,303
Adjustment for under accrual of tax from prior years	1,764,306,858	86,544,037
Tax exempted and deducted	(817,661,507)	(2,135,246,881)
CIT expenses	30,416,454,015	21,063,011,455

28.2 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 2019 and for the year then ended

28. CORPORATE INCOME TAX (continued)

28.3 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
Accrual for severance pay	1,993,818,349	1,400,000,000	593,818,349	1,400,000,000
Provision for doubtful receivables	(689,857,733)	2,241,768,923	(2,931,626,656)	2,241,768,923
Provision for investments	(1,210,422,074)	(2,918,468,199)	1,708,046,125	3,089,943,374
Salary payable	-	-	-	5,450,000,000
Net deferred tax assets	93,538,542	723,300,724		
Deferred tax (charge) credit to consolidated income statement			(629,762,182)	12,181,712,297

29. TRANSACTIONS WITH RELATED PARTIES

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

Related party	Relationship	Transaction	VND	
			Current year	Previous year
Transimex Corporation	Related party	Transportation fee	2,926,026,284	-
Phu My Joint Stock Company	Associate	Purchase of services	707,627,520	875,089,906
		Service fee for using infrastructure	-	1,690,167,185



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

29. 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	VND	
			Ending balance	Beginning balance
Short-term trade payables				
Transimex Corporation	Related party	Transportation fee	834,650,622	-
Phu My Joint Stock Company	Associate	Purchase of materials	57,197,932	97,996,826
			891,848,554	97,996,826

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>3,827,910,690</u>	<u>9,616,929,807</u>

30. OFF CONSOLIDATED BALANCE SHEET ITEM

	Ending balance	Beginning balance
Foreign currency:		
- United States dollar (USD)	<u>8,956,358.06</u>	<u>5,178,977.99</u>

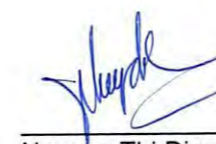
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
as at 31 December 2019 and for the year then ended

31. EVENTS AFTER THE BALANCE SHEET DATE

On 14 January 2020, the Company completed the issuance of 8,915,437 shares to its existing shareholders at the price of VND 15,000 per share according to the Annual General Meeting Resolution No. 01/NQ-DHDCD.2019 dated 25 April 2019 and the Board of Directors' Resolutions No. 32/NQ-HDQT.2019 and No. 33/NQ-HDQT.2019 dated 9 September 2019.

On 14 February 2020, the Company received the 17th amended ERC issued by the Department of Planning and Investment of Ho Chi Minh City approving the increase in the Company's share capital to VND 267,963,650,000.

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



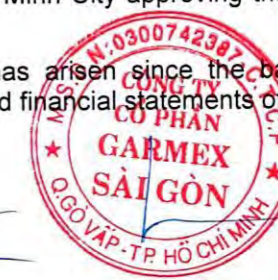
Nguyen Thi Diem
Preparer



Tran Thi My Hanh
Chief Accountant



Le Hung
General Director



8 April 2020





ANNUAL REPORT 2019

GARMEX SAIGON CORPORATION

Ho Chi Minh City, April 20, 2020
Company's legal representative
GENERAL DIRECTOR



LE HUNG

GARMEX SAIGON CORPORATION

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