

PHU NHUAN JEWELRY JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

TABLE OF CONTENTS	PAGE
Corporate information	1
Statement by the Board of Management	2
Independent auditor's report	3
Consolidated balance sheet (Form B 01 – DN/HN)	5
Consolidated income statement (Form B 02 – DN/HN)	7
Consolidated cash flow statement (Form B 03 – DN/HN)	8
Notes to the consolidated financial statements (Form B 09 – DN/HN)	9



PHU NHUAN JEWELRY JOINT STOCK COMPANY

CORPORATE INFORMATION

Enterprise Registration Certificate

No. 0300521758 dated 2 January 2004 was initially issued by the Department of Planning and Investment of Ho Chi Minh City and the 30th amendment dated 31 December 2019.

Board of Directors

Mrs Cao Thi Ngoc Dung	Chairwoman
Mr Le Tri Thong	Vice Chairman
Mr Le Huu Hanh	Member
Mr Le Quang Phuc	Member
Mrs Huynh Thi Xuan Lien	Member
Mrs Dang Thi Lai	Member
Mrs Tieu Yen Trinh	Member
	(appointed on 10 June 2020)
Mrs Tran Phuong Ngoc Thao	Member
	(appointed on 10 June 2020)
Mr Nguyen Tuan Hai	Member
	(appointed on 10 June 2020)
Mrs Pham Vu Thanh Giang	Member
	(resigned on 10 June 2020)

Board of Supervision

Mr Nguyen Thanh Du	Head
Mrs Nguyen Ngoc Hue	Member
Mr Le Anh Duc	Member

Board of Management

Mr Le Tri Thong	General Director (From 10 August 2020 the Board of Directors assigns Mr. Le Tri Thong to manage and operate the Customer & Retail and Supply sectors)
Mrs Dang Thi Lai	Chief Finance and Operation Officer
Mrs Tran Thi Thu Ha	Retail Director (till 10 August 2020)
Mr Phan Nguyen Hoai Anh	Alternate Marketing Director
Mr Nguyen Hoang Chau	Supply Chain Director (till 10 August 2020)
Mr Dao Trung Kien	Chief Strategy Officer
Mr Dang Hai Anh	Information Technology Division Director (from 20 August 2020)
Mr Nguyen Ngoc Tran	Information Technology (till 20 August 2020)
Mr Nguyen Anh Hung	Human Resource Director
Mr Duong Quang Hai	Chief Accountant

Legal representative

Mr Le Tri Thong	General Director
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Registered office

170E Phan Dang Luu Street, Ward 3, Phu Nhuan District, Ho Chi Minh City, Vietnam

Auditor

PwC (Vietnam) Limited

PHU NHUAN JEWELRY JOINT STOCK COMPANY

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of Phu Nhuan Jewelry Joint Stock Company ("the Company") is responsible for the consolidated financial statements of the Company and its subsidiaries (together, "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of the consolidated results of its operations and its consolidated cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and which enable the consolidated financial statements to be prepared which complies with the basis of accounting set out in Note 2 to the consolidated financial statements. We are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and error.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements as set out on pages 5 to 41 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

On behalf of the Board of Management



Le Tri Thong
General Director

Ho Chi Minh City, SR Vietnam
15 March 2021



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHU NHUAN JEWELRY JOINT STOCK COMPANY

We have audited the accompanying the consolidated financial statements of Phu Nhuan Jewelry Joint Stock Company ("the Company") and its subsidiaries (together, "the Group") which were prepared on 31 December 2020 and approved by the Board of Management on 15 March 2021. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2020 the consolidated income statement and the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 41.

The Board of Management' Responsibility

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of the consolidated financial statements of the Group in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to 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 to the Group's preparation and true and fair presentation of the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.



Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2020, its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements.

Other Matter

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No.
0048-2018-006-1
Authorised signatory

Nguyen Vu Anh Tuan
Audit Practising Licence No.
3631-2021-006-1

Report reference number: HCM10119
Ho Chi Minh City, 15 March 2021

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2020 VND	2019 VND
100	CURRENT ASSETS		7,143,929,036,497	7,333,364,485,251
110	Cash		422,234,781,061	95,224,439,008
111	Cash	3	422,234,781,061	95,224,439,008
130	Short-term receivables		98,997,286,429	129,688,313,476
131	Short-term trade accounts receivable	4	67,591,685,619	48,292,876,716
132	Short-term prepayments to suppliers	5	20,218,946,599	74,867,455,343
136	Other short-term receivables	6(a)	12,261,206,010	5,287,941,028
137	Provision for doubtful debts – short-term		(1,202,878,846)	-
139	Shortage of assets awaiting resolution		128,327,047	1,240,040,389
140	Inventory		6,545,905,987,056	7,030,420,371,216
141	Inventories	7	6,545,905,987,056	7,030,420,371,216
150	Other current assets		76,790,981,951	78,031,361,551
151	Short-term prepaid expenses	8(a)	66,112,866,470	71,633,378,895
152	Value Added Tax to be reclaimed		10,670,276,957	6,306,692,920
153	Tax and other receivables from the State		7,838,524	91,289,736
200	NON-CURRENT ASSETS		1,339,217,061,954	1,269,599,936,565
210	Long-term receivable		77,310,617,360	70,721,623,109
216	Other long-term receivables	6(b)	77,310,617,360	70,721,623,109
220	Fixed assets		931,617,117,533	923,870,354,474
221	Tangible fixed assets	9(a)	281,244,232,172	263,827,234,353
222	Historical cost		600,464,186,725	534,818,699,342
223	Accumulated depreciation		(319,219,954,553)	(270,991,464,989)
227	Intangible fixed assets	9(b)	650,372,885,361	660,043,120,121
228	Historical cost		683,791,142,309	679,619,883,005
229	Accumulated amortisation		(33,418,256,948)	(19,576,762,884)
240	Long-term asset in progress		33,003,867,003	28,457,398,434
242	Construction in progress	10	33,003,867,003	28,457,398,434
250	Long-term investments		-	-
253	Investments in other entities	11	395,271,613,400	395,271,613,400
254	Provision for long-term investments		(395,271,613,400)	(395,271,613,400)
260	Other long-term assets		297,285,460,058	246,550,560,548
261	Long-term prepaid expenses	8(b)	206,301,766,031	158,318,980,481
262	Deferred income tax assets	21	90,983,694,027	88,231,580,067
270	TOTAL ASSETS		8,483,146,098,451	8,602,964,421,816

The notes on pages 9 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2020 VND	2019 VND
300	LIABILITIES		3,241,284,233,443	4,025,698,610,469
310	Short-term liabilities		3,231,907,356,443	4,017,860,824,469
311	Short-term trade accounts payable	12	481,588,464,720	690,808,185,195
312	Short-term advances from customers	13	157,182,968,364	95,353,052,369
313	Tax and other payables to the State	14	214,710,310,923	192,682,671,178
314	Payable to employees	15	290,765,645,610	222,296,091,737
315	Short-term accrued expenses	16	55,520,256,916	45,877,630,688
319	Other short-term payables	17	76,978,636,900	69,257,739,996
320	Short-term borrowings	18(a)	1,839,275,064,065	2,610,902,622,222
322	Bonus and welfare fund	19	115,886,008,945	90,682,831,084
330	Long-term liabilities		9,376,877,000	7,837,786,000
337	Other long-term payables		526,168,000	476,006,000
338	Long-term borrowings	18(b)	-	3,700,000,000
342	Provision for long-term liability	20	8,850,709,000	3,661,780,000
400	OWNERS' EQUITY		5,241,861,865,008	4,577,265,811,347
410	Capital and reserves		5,241,861,865,008	4,577,265,811,347
411	Owners' capital	22, 23	2,276,123,620,000	2,252,935,850,000
411a	- Ordinary shares with voting rights		2,276,123,620,000	2,252,935,850,000
412	Share premium	23	991,261,882,458	968,074,112,458
415	Treasury shares	23	(3,384,090,000)	(2,101,090,000)
418	Investment and development fund	23	372,779,556,918	313,083,556,918
421	Undistributed earnings	23	1,605,080,895,632	1,045,273,381,971
421a	- Undistributed post-tax profits of previous years		670,845,205,971	29,482,225,528
421b	- Post-tax profits of current year		934,235,689,661	1,015,791,156,443
440	TOTAL RESOURCES		8,483,146,098,451	8,602,964,421,816



Nguyen Thanh Dat
Preparer



Duong Quang Hai
Chief Accountant







Le Thi Thong
General Director
15 March 2021

CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2020 VND	2019 VND
01		17,681,913,026,177	17,144,251,446,632
02		(171,124,375,178)	(143,570,366,109)
10		17,510,788,650,999	17,000,681,080,523
11		(14,076,055,770,112)	(13,539,967,588,262)
20		3,434,732,880,887	3,460,713,492,261
21		2,368,958,316	16,820,020,734
22		(161,541,087,492)	(133,678,118,497)
23		(154,416,694,276)	(115,367,610,418)
25		(1,420,855,653,447)	(1,361,807,553,507)
26		(505,572,794,605)	(475,831,697,930)
30		1,349,132,303,659	1,506,216,143,061
31		5,485,848,150	4,760,923,089
32		(8,637,683,094)	(4,264,680,599)
40		(3,151,834,944)	496,242,490
50		1,345,980,468,715	1,506,712,385,551
51		(279,422,477,414)	(315,667,183,537)
52		2,752,113,960	2,879,755,229
60		1,069,310,105,261	1,193,924,957,243
Attributable to:			
61		1,069,310,105,261	1,193,924,957,243
70	25(a)	4,308	4,896
71	25(b)	4,308	4,896


 Nguyen Thanh Dat
 Preparer


 Duong Quang Hai
 Chief Accountant


 Le Tri Thong
 General Director
 15 March 2021



The notes on pages 9 to 41 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2020 VND	2019 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		1,345,980,468,715	1,506,712,385,551
	Net accounting profit before tax		
	Adjustments for:		
02	Depreciation and amortisation	72,154,867,041	61,066,130,585
03	Provisions/(reversal of provision)	6,391,807,846	(3,414,537,000)
04	Unrealised foreign exchange losses/(gains)	177,425,063	(1,242,529,054)
05	Losses/(profits) from investing activities	1,237,319,162	(1,456,968,019)
06	Interest expense	154,416,694,276	115,367,610,418
08	Operating profit before changes in working capital	1,580,358,582,103	1,677,032,092,481
09	Decrease in receivables	17,322,807,863	12,888,586,942
10	Decrease/(increase) in inventories	484,514,384,160	(2,062,274,428,226)
11	(Decrease)/increase in payables	(99,651,505,808)	199,226,464,534
12	Increase in prepaid expenses	(42,462,273,125)	(62,082,212,310)
14	Interest paid	(155,543,069,575)	(114,016,876,155)
15	BIT paid	(253,134,374,354)	(291,572,199,831)
17	Other payments on operating activities	(34,492,822,139)	(20,293,123,341)
20	Net cash inflows/(outflows) from operating activities	1,496,911,729,125	(661,091,695,906)
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(85,433,646,180)	(223,765,922,597)
22	Proceeds from disposals of fixed assets	792,669,960	1,774,979,478
27	Interest received	251,771,651	163,983,543
30	Net cash outflows from investing activities	(84,389,204,569)	(221,826,959,576)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issuance of shares	46,375,540,000	68,932,500,000
32	Payments for share repurchases	(1,283,000,000)	(2,094,000,000)
33	Proceeds from borrowings	7,432,783,338,336	5,435,682,129,077
34	Repayments of borrowings	(8,208,110,896,493)	(4,387,362,004,881)
36	Dividend paid	(355,099,739,283)	(343,875,424,770)
40	Net cash (outflows)/inflows from financing activities	(1,085,334,757,440)	771,283,199,426
50	Net increase in cash	327,187,767,116	(111,635,456,056)
60	Cash at beginning of year	95,224,439,008	206,721,179,629
61	Effect of foreign exchange differences	(177,425,063)	138,715,435
70	Cash at end of year	422,234,781,061	95,224,439,008


 Nguyen Thanh Dat
 Preparer


 Duong Quang Hai
 Chief Accountant




 Le Tri Thong
 General Director
 15 March 2021

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1 GENERAL INFORMATION

Phu Nhuan Jewelry Joint Stock Company ("the Company") is a joint stock company established in SR Vietnam in accordance with the Enterprise Registration Certificate No. 0300521758 which was initially issued by the Department of Planning and Investment of Ho Chi Minh City on 2 January 2004 and the 30th latest amendment dated 31 December 2019.

On 23 March 2009, the Company's shares were officially listed in the Ho Chi Minh City Stock Exchange ("HOSE") in accordance with the Decision No. 129/UBCK-ĐKNY issued by the General Director of HOSE on 26 December 2008.

The principal activities of the Company are to manufacture and to trade gold, silver, jewelry and gemstones, and to import and export jewelry in gold, silver and gemstones.

The normal business cycle of the Company and its subsidiaries ("the Group") is 12 months.

As at 31 December 2020, the Company had 4 subsidiaries as follows:

	Place of incorporation and operation	31.12.2020		31.12.2019		The principal activities
		% of ownership	% of voting right	% of ownership	% of voting right	
CAO Fashion Company Limited	Ho Chi Minh City	100	100	100	100	Trading of jewellery products
PNJ Laboratory Company Limited	Ho Chi Minh City	100	100	100	100	Jewelry inspection and consultancy services
PNJ Jewelry Production and Trading Company Limited	Ho Chi Minh City	100	100	100	100	Jewelry manufacturing and trading
Customer Era Company Limited	Ho Chi Minh City	100	100	100	100	Retailing

As at 31 December 2020, the Group had 56 branches (as at 31 December 2019: 53 branches) located in various provinces and cities in Vietnam.

As at 31 December 2020, the Group had 6,191 employees (as at 31 December 2019: 6,570 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements. The consolidated financial statements have been prepared under the historical cost convention.

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

The consolidated financial statements in the Vietnamese language are the official statutory consolidated financial statements of the Group. The consolidated financial statements in the English language have been translated from the Vietnamese version.

2.2 Fiscal year

The Group's fiscal year is from 1 January to 31 December.

2.3 Currency

The consolidated financial statements are measured and presented in Vietnamese Dong ("VND"). The Group and its subsidiaries determine their accounting currencies based on the currencies which are mainly used in sales of goods and rendering of services, which have a significant impact on selling prices of goods and services, which are normally used to list selling prices and receive payments; which are mainly used in purchases of goods or services, which have a significant impact on costs of labor, materials and other production or operating costs and normally used as payments for those costs.

Additionally, the Group also use these currencies to raise financial resources (such as via issuance of shares or bonds) and/or regularly collect these currencies from business operations and savings.

2.4 Exchange rates

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the consolidated income statement.

Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are respectively translated at the buying and selling exchange rates at the consolidated balance sheet date of the commercial bank where the Group regularly trades. Foreign currencies deposited in banks at the consolidated balance sheet date are translated at the buying exchange rate of the commercial bank where the Group opens its foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.



PHU NHUAN JEWELRY JOINT STOCK COMPANY
VN

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Basis of consolidation****Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies in order to gain future benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

In a multi-phase acquisition, when determining goodwill or bargain purchase, the consideration is the sum of the total consideration on the date of acquiring control and previous considerations remeasured to fair value on the date of control acquisition.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. The consolidated financial statements of the Group's subsidiaries are prepared for the same accounting period. If there are differences in end dates, the gap must not exceed 3 months. Adjustments are made to reflect impacts of significant transactions and events occurring between the end dates of the subsidiaries' accounting period and that of the Group's. The length of the reporting period and differences in reporting date must be consistent between periods.

2.6 Cash

Cash comprise cash on hand, cash at bank and cash in transit.

2.7 Receivables

Receivables represent trade receivables from customers arising from sales of goods and rendering of services or non-trade receivables from others and are stated at cost. Provision for doubtful debts is made for each outstanding amount based on overdue days in payment according to the initial payment commitment (exclusive of the payment rescheduling between parties), or based on the expected loss that may arise. Bad debts are written off when identified.

Receivables are classified into long-term and short-term receivables on the consolidated balance sheet based on the remaining period from the consolidated balance sheet date to the maturity date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method for inventories.

Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period are recognised as an increase or decrease of cost of goods sold in the year.

2.9 Investment in equity of other entity

Investment in other entities is investment in equity instruments of other entity without controlling rights or co-controlling rights, or without significant influence over the investee. This investment is initially recorded at cost. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for investments in other entities is made when there is a diminution in value of the investments at the year end. Regarding investments in listed shares or those whose fair value can be determined reliably, the provision for diminution in value is made when cost is higher than market value. For other investments, provision for diminution in value is made when the investees make losses, except when the loss is anticipated by the Board of Management before the date of investment. Changes in the provision balance during the accounting period are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

2.10 Fixed assets*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation or amortisation. Historical cost includes any expenditure that is directly attributable to the acquisition of the fixed assets bringing them to a suitable condition for their intended use. Expenditure incurred subsequently which has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, can be capitalised as an additional historical cost. Otherwise, they are charged to the consolidated income statement when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Fixed assets (continued)***Depreciation and amortisation*

Fixed assets are depreciated and amortised using the straight-line method so as to write off the historical cost of the fixed assets over their estimated useful lives. The estimated useful lives of each asset class are as follows:

Buildings and structures	5 - 25 years
Machinery and equipment	3 - 15 years
Motor vehicles	5 - 10 years
Office equipment	3 - 10 years
Software	3 - 5 years

Land use rights with indefinite term are recorded in historical cost and are not amortised.

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the fixed assets and are recognised as income or expense in the consolidated income statement.

Construction in progress

Construction in progress represents the cost of assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined including construction costs; costs of tools and equipment; project management expenditures; construction consulting expenditures; and capitalised borrowing costs for qualifying assets in accordance with the Group's accounting policies. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

2.11 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the lease.

2.12 Prepaid expenses

Prepaid expenses include short-term and long-term prepayments on the consolidated balance sheet. Prepaid expenses are recorded at historical cost and allocated on a straight-line basis over estimated useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.13 Payables**

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services; and
- Other payables are non-trade payables, and payables not relating to purchases of goods and services.

Payables are classified into long-term and short-term payables on the consolidated balance sheet based on remaining period from the consolidated balance sheet date to the maturity date.

2.14 Borrowing costs

Borrowings include borrowings from banks and individuals.

Borrowings are classified into long-term and short-term borrowings on the consolidated balance sheet based on remaining period from the balance sheet date to the maturity date.

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the year of time that is required to complete and prepare the asset for its intended use. In respect of general-purpose borrowings, a portion of which used for the purpose of construction or production of any qualifying assets, the Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the weighted average expenditure on that assets. The capitalisation rate is the weighted average of the interest rates applicable to the Group's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised in the consolidated income statement when incurred.

2.15 Accrued expenses

Accrued expenses include liabilities for goods and services received in the year but not yet paid for due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.16 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a financial expense. Changes in the provision balance during the accounting period are recorded as an increase or decrease in operating expenses.

2.17 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the year during which the employee actually works for the Group less the year during which the employee participates the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Group.

The severance allowance is accrued at the end of the reporting period, on the basis that a half of an average monthly salary per each working year. The average monthly salary used for calculating the severance allowance is the employee contract's average salary for the year prior to the consolidated balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in according with current regulations.

2.18 Owners' capital

Contributed capital of the shareholders is recorded according to the actual amount contributed and is recorded according to the par value of the shares.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought-back by itself, but these are not cancelled and may be re-issued in accordance with the Law on securities.

Undistributed earnings record the Group's results profit after BIT at the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Appropriation of net profit**

The Group's dividend is recognised as a liability in the Group's the consolidated financial statements in the year in which the dividend are approved by the Group's the General Meeting of Shareholders.

Profit after BIT could be distribute to Shareholders after approval at the General Meeting of Shareholders, and after appropriation to other funds in accordance with the Group's charter and Vietnamese regulations.

The Group's funds are as below:

(a) Investment and development fund

Investment and development fund is appropriated from profit after BIT of the Group and subject to Shareholders' approval at the General Meeting of Shareholders. The fund is set aside for the use in the Group's expansion of its operation or in-depth investments.

(b) Bonus and welfare fund

Bonus and welfare fund is appropriated from the Group's profit after BIT and subject to Shareholders' approval at the General Meeting of Shareholders. This fund is presented as a liability on the consolidated balance sheet. The fund is set aside for the purpose of pecuniary rewarding and encouragement, common benefits and improvement of the employees' benefits.

2.20 Revenue recognition**(a) Revenue from sales of goods**

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised in according with principle of "substance over form" principle and allocated to each sales obligation. In cases where the Group gives promotional goods to customers associated with their purchases, the Group allocates the total considerations received between goods sold and promotional goods. The cost of promotional goods is recognised as cost of sales in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.20 Revenue recognition (continued)****(b) Revenue from rendering of services**

Revenue from rendering of services is recognised in the consolidated income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from rendering of services is only recognised when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The percentage of completion of the transaction at the consolidated balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

Income from dividend is recognised when the Group has established the receiving right from investees.

2.21 Sales deductions

Sales deduction include sales allowances and sales returns. Sales deductions incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for products, goods or services which are sold in the year but are incurred after the balance sheet date but before the issuance of the consolidated financial statements are recorded as deduction of revenue of the year.

2.22 Cost of goods sold and services rendered

Cost of goods sold and services rendered are cost of finished goods, merchandises, materials sold or services rendered during the year, and recorded on the basis of matching with revenue and on a prudence basis.

2.23 Financial expenses

Finance expenses are expenses incurred in the year for financial activities including expenses or losses relating to financial investment activities; expenses of borrowing; and losses from foreign exchange differences

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.24 Selling expenses**

Selling expenses represent expenses that are incurred in the process of selling products, goods, and providing services, which mainly include publicity, display, promotions, advertising expenses, warranty charges of goods and products, maintenance charges, packaging, and transportation.

2.25 General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs; social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation and amortisation of fixed assets used for administration, land rental, outside services and other expenses.

2.26 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current period tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the consolidated balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.27 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including the Board of Management of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Group considers the substance of the relationship not merely the legal form.

2.28 Accounting estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the accounting period. Although these estimates are based on the Board of Management's best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving significant estimates and assumptions in the consolidated financial statements are as follows:

- Estimated useful life of fixed assets (Note 9);
- Provision for long-term investment (Note 11);
- Recognition of deferred tax assets (Note 21); and
- Provision for long-term liability (Note 20).

Such estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

2.29 Segment reporting

A segment is a component which can be consolidated by the Group engaged in sales of goods or rendering of services (business segment); or sales of goods or rendering of services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Group's business segment or the Group's geographical segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Group's consolidated financial statements in order to help users of financial statements understand and evaluate the Group's operations in a comprehensive way.

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

3 CASH

	2020 VND	2019 VND
Cash on hand	113,043,139,318	54,073,143,734
Cash at bank	286,111,163,400	26,186,708,725
Cash in transit	23,080,478,343	14,964,586,549
	<u>422,234,781,061</u>	<u>95,224,439,008</u>

4 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2020 VND	2019 VND
FH Trautz GmBh	6,165,618,167	6,700,060,929
DC&D Co.	6,758,326,847	2,524,617,369
Aeon Vietnam Co., Ltd. - Binh Duong Branch	5,965,409,829	3,770,153,502
Aeon Vietnam Co., Ltd.	4,699,946,682	3,134,551,256
Aeon Co., Ltd. - Binh Tan Branch	4,658,692,785	3,035,969,672
Others	39,343,691,309	29,127,523,988
	<u>67,591,685,619</u>	<u>48,292,876,716</u>

As at 31 December 2020 and 31 December 2019, there was balance of short-term trade accounts receivable that was past due and doubtful amounting to VND1,202,878,846 and VND0, respectively.

5 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	2020 VND	2019 VND
Hong Chi Vietnam Co., Ltd.	669,139,800	7,656,607,870
IBC Joint Stock Company	-	7,077,840,000
Highway Furniture and Construction Corporation	-	7,115,103,418
Khai Phat One Member Co., Ltd.	-	6,268,883,940
Gia Khang Construction Real Estate Corporation	3,035,860,000	5,340,173,000
Mirum Joint Stock Company	667,445,000	-
Retail Design Vietnam Joint Stock Company	366,371,940	-
Others	15,311,610,064	41,408,847,115
	<u>20,050,426,804</u>	<u>74,867,455,343</u>

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

6 OTHER RECEIVABLES

(a) Short-term

	2020 VND	2019 VND
Advances from employees	6,347,378,451	4,511,880,018
Others	5,913,827,559	776,061,010
	<u>12,261,206,010</u>	<u>5,287,941,028</u>

(b) Long-term

	2020 VND	2019 VND
Rent deposits	<u>77,310,617,360</u>	<u>70,721,623,109</u>

7 INVENTORIES

	2020 VND	2019 VND
Raw materials	390,491,615,025	392,983,496,033
Tools and supplies	28,975,937,334	36,238,354,990
Work in progress	148,684,491,248	345,059,347,568
Finished goods	379,933,495,924	321,648,108,427
Merchandise	5,597,820,447,525	5,934,491,064,198
	<u>6,545,905,987,056</u>	<u>7,030,420,371,216</u>

As at 31 December 2020, the Group's total inventories of VND2,996,916,000,000 (as at 31 December 2019: VND1,906,047,683,991) were pledged as collaterals for short-term borrowings from commercial banks (Note 18(a)).

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

8 PREPAID EXPENSES

(a) Short-term

	2020 VND	2019 VND
Tools and supplies	10,320,459,979	18,831,589,613
Operating lease	30,263,584,357	29,117,340,897
IT expenses	12,490,883,142	8,345,505,585
Employee's uniform	-	7,490,805,371
Signboard rental	-	515,780,770
Repairs and maintenances	5,572,063,499	4,120,310,721
Others	7,465,875,493	3,212,045,938
	<u>66,112,866,470</u>	<u>71,633,378,895</u>

(b) Long-term

	2020 VND	2019 VND
Tools and supplies	91,055,979,728	78,917,021,001
Office and store renovation	80,669,317,259	65,357,101,566
Store rental	13,759,093,930	9,616,517,091
Signboard rental	-	1,950,362,470
Repairs and maintenances	18,248,358,470	-
Others	2,569,016,644	2,477,978,353
	<u>206,301,766,031</u>	<u>158,318,980,481</u>

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

9 FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
As at 1 January 2020	148,336,281,191	246,779,952,344	35,721,529,707	103,980,936,100	534,818,699,342
New purchases	8,774,948,708	53,292,474,412	753,590,000	11,862,308,047	74,683,321,167
Transfers from construction in progress (Note 10)	-	-	-	1,143,927,180	1,143,927,180
Disposals	-	(9,832,689,336)	-	(349,071,628)	(10,181,760,964)
As at 31 December 2020	157,111,229,899	290,239,737,420	36,475,119,707	116,638,099,699	600,464,186,725
Accumulated depreciation					
As at 1 January 2020	44,009,455,073	164,055,774,011	19,227,447,153	43,698,788,752	270,991,464,989
Charge for the year	7,398,762,243	30,645,705,981	4,205,978,061	15,966,926,692	58,217,372,977
Disposals	-	(9,688,489,562)	-	(300,393,851)	(9,988,883,413)
As at 31 December 2020	51,408,217,316	185,012,990,430	23,433,425,214	59,365,321,593	319,219,954,553
Net book value					
As at 1 January 2020	104,326,826,118	82,724,178,333	16,494,082,554	60,282,147,348	263,827,234,353
As at 31 December 2020	105,703,012,583	105,226,746,990	13,041,694,493	57,272,778,106	281,244,232,172

As at 31 December 2020, tangible fixed assets of the Group with the carrying amount of VND47,726,768,029 (as at 31 December 2019: VND24,295,351,238) were pledged as collaterals for borrowings from commercial banks (Note 18).

As at 31 December 2020, the historical cost of fully depreciated fixed assets but still in use was VND136,624,948,646 (as at 31 December 2019: VND117,242,727,759).

9 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights VND	Softwares VND	Total VND
Historical cost			
As at 1 January 2020	542,687,586,739	136,932,296,266	679,619,883,005
New purchases	41,690,203	4,225,569,101	4,267,259,304
Disposals	-	(96,000,000)	(96,000,000)
As at 31 December 2020	<u>542,729,276,942</u>	<u>141,061,865,367</u>	<u>683,791,142,309</u>
Accumulated amortisation			
As at 1 January 2020	-	19,576,762,884	19,576,762,884
Charge for the year	-	13,937,494,064	13,937,494,064
Disposals	-	(96,000,000)	(96,000,000)
As at 31 December 2020	-	<u>33,418,256,948</u>	<u>33,418,256,948</u>
Net book value			
As at 1 January 2020	<u>542,687,586,739</u>	<u>117,355,533,382</u>	<u>660,043,120,121</u>
As at 31 December 2020	<u>542,729,276,942</u>	<u>107,643,608,419</u>	<u>650,372,885,361</u>

As at 31 December 2020, the historical cost of land use rights of the Group amounting to VND49,837,617,572 (as at 31 December 2019: VND49,837,617,572) were pledged as collaterals for long-term borrowings from commercial banks (Note 18).

As at 31 December 2020, the historical cost of fully amortised software but still in use was VND6,982,250,583 (as at 31 December 2019: VND7,078,250,583).

10 CONSTRUCTION IN PROGRESS

	2020 VND	2019 VND
Land use right in Di An - Binh Duong	26,137,767,250	26,137,767,250
Long Hau Fire System	2,574,172,400	-
Human resource management software	1,990,919,100	-
Others	2,301,008,253	2,319,631,184
	<u>33,003,867,003</u>	<u>28,457,398,434</u>

10 CONSTRUCTION IN PROGRESS (continued)

Movements in the construction in progress during the year are as follows:

	2020 VND	2019 VND
Beginning of year	28,457,398,434	70,822,681,154
Addition	6,483,065,709	149,056,772,192
Transfer to tangible fixed assets	(1,143,927,180)	(36,146,625,463)
Transfer to intangible fixed assets	-	(155,275,429,449)
Others	(792,669,960)	-
End of year	<u>33,003,867,003</u>	<u>28,457,398,434</u>

11 LONG-TERM INVESTMENT

	2020		2019	
	Cost VND	Provision VND	Cost VND	Provision VND
Dong A Commercial Joint Stock Bank (*)	<u>395,271,613,400</u>	<u>(395,271,613,400)</u>	<u>395,271,613,400</u>	<u>(395,271,613,400)</u>

As at 31 December 2020 and 31 December 2019, the Company has not determined the fair value of this investment to disclose on the consolidated financial statements because it does not have listed prices.

(*) As at 31 December 2020 and 31 December 2019, Dong A Joint Stock Commercial Bank was still under special control of the State Bank of Vietnam and its shares have not been eligible transferable. Therefore, the Board of Management has decided to recognise full provision for diminution in value of this investment as at the consolidated balance sheet date.

12 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2020 VND	2019 VND
Finesse Impex Limited	185,106,975,192	264,376,245,789
Forte Jewellery (HK) Co., Ltd	126,662,589,601	154,975,866,651
Quang Vinh Nguyen Co., Ltd	912,591,777	12,140,499,777
Fu Sheng Company Limited	1,667,935,368	-
Others	167,238,372,782	259,315,572,978
	<u>481,588,464,720</u>	<u>690,808,185,195</u>

As at 31 December 2020 and 31 December 2019, there was no balance of short-term trade accounts payable that was past due.

13 SHORT-TERM ADVANCES FROM CUSTOMERS

	2020 VND	2019 VND
Duoc Hau Giang Joint Stock Company	42,864,000,000	-
Dry Cell and Storage Battery Joint Stock Company	-	7,332,500
Others	114,318,968,364	95,345,719,869
	<u>157,182,968,364</u>	<u>95,353,052,369</u>

14 TAXES AND OTHER PAYABLES TO THE STATE

	2020 VND	2019 VND
Value added tax ("VAT")	47,328,341,499	52,394,562,292
BIT	154,678,620,526	128,390,517,466
Personal income tax ("PIT")	8,133,718,365	7,327,960,887
Others	4,569,630,533	4,569,630,533
	<u>214,710,310,923</u>	<u>192,682,671,178</u>

Movements in taxes and other payables to the State during the year are as follows:

	As at 1.1.2020 VND	Payable during the year VND	Paid during the year VND	Netted off during the year VND	As at 31.12.2020 VND
VAT	52,394,562,292	397,778,470,052	(395,281,749,600)	(7,562,941,245)	47,328,341,499
BIT	128,390,517,466	279,422,477,414	(253,134,374,354)	-	154,678,620,526
PIT	7,327,960,887	68,192,663,155	(67,386,905,677)	-	8,133,718,365
Others	4,569,630,533	1,769,679,870	(1,769,679,870)	-	4,569,630,533
	<u>192,682,671,178</u>	<u>747,163,290,491</u>	<u>(717,572,709,501)</u>	<u>(7,562,941,245)</u>	<u>214,710,310,923</u>

15 PAYABLE TO EMPLOYEES

The balances represent accruals for the 13th month salary and performance bonus payable to employees.

16 SHORT-TERM ACCRUED EXPENSES

	2020 VND	2019 VND
Advertising and marketing	40,969,790,347	33,745,133,406
Interest expense	3,432,101,976	4,558,477,275
Others	11,118,364,593	7,574,020,007
	<u>55,520,256,916</u>	<u>45,877,630,688</u>

17 OTHER SHORT-TERM PAYABLES

	2020 VND	2019 VND
Bonus for the Board of Management and Board of Directors	21,039,066,145	20,528,793,837
Dividend payables (Note 24)	11,167,693,692	6,004,841,375
Union trade	5,302,327,162	10,616,635,500
Raw materials borrow for processing	5,035,237,406	11,149,343,956
Others	34,434,312,495	20,958,125,328
	<u>76,978,636,900</u>	<u>69,257,739,996</u>

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

18 BORROWINGS

(a) Short-term

	As at 1.1.2020 VND	Increase VND	Decrease VND	As at 31.12.2020 VND
Bank loans (*)				
Joint Stock Commercial Bank for Investment and Development of Vietnam	300,000,000,000	953,230,965,374	(938,000,000,000)	315,230,965,374
Vietnam Joint Stock Commercial Bank for Industry and Trade	898,993,052,515	1,575,154,625,156	(2,029,667,126,278)	444,480,551,393
Southeast Asia Joint Stock Commercial Bank	200,000,000,000	1,060,447,479,845	(1,025,576,039,245)	234,871,440,600
Vietnam International Commercial Joint Stock Bank	-	295,383,613,627	(150,977,623,867)	144,405,989,760
HSBC Bank (Viet Nam) Ltd.	-	375,730,954,296	(210,294,107,985)	165,436,846,311
CTBC Bank Company Limited - Ho Chi Minh Branch	92,799,546,320	280,828,894,723	(301,291,056,397)	72,337,384,646
Ho Chi Minh City Development Joint Stock Commercial Bank	-	68,348,957,900	-	68,348,957,900
Shinhan Bank Vietnam Limited	97,000,000,000	242,097,049,000	(274,097,049,000)	65,000,000,000
Joint Stock Bank for Foreign Trade of Vietnam	490,427,204,477	775,197,642,171	(1,154,376,874,648)	111,247,972,000
Military Commercial Joint Stock Bank	99,971,329,000	158,907,793,895	(211,540,894,614)	47,338,228,281
China Construction Bank	-	262,100,000,000	(217,300,000,000)	44,800,000,000
Vietnam Bank for Agriculture and Rural Development (Note 18(b))	3,700,000,000	3,700,000,000	(3,700,000,000)	3,700,000,000
Petrolimex Group Commercial Joint Stock Bank	298,893,399,480	1,248,892,181,869	(1,547,785,581,349)	-
Orient Commercial Joint Stock Company	-	62,312,992,680	(62,312,992,680)	-
Individual loans (**)	129,118,090,430	74,150,187,800	(81,191,550,430)	122,076,727,800
	<u>2,610,902,622,222</u>	<u>7,436,483,338,336</u>	<u>(8,208,110,896,493)</u>	<u>1,839,275,064,065</u>

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

18 BORROWINGS (continued)

(a) Short-term (continued)

(*) Details of short-term bank loans are as follows:

Bank	As at 31.12.2020 VND	Maturity date	Interest per annum	Collateral
Joint Stock Commercial Bank for Investment and Development of Vietnam	315,230,965,374	From 14 April 2021 to 30 June 2021	5.8%	Inventories
Vietnam Joint Stock Commercial Bank for Industry and Trade	444,480,551,393	From 2 May 2021 to 17 June 2021	5.7%	Inventories
Southeast Asia Joint Stock Commercial Bank	234,871,440,600	From 1 February 2021 to 17 February 2021	5.9%	Unsecured
Vietnam International Commercial Joint Stock Bank	144,405,989,760	From 4 April 2021 to 17 May 2021	5.6%	Unsecured
HSBC Bank (Viet Nam) Ltd.	165,436,846,311	To 18 June 2021	4.6%	Land use rights, buildings and inventories
CTBC Bank Company Limited - Ho Chi Minh Branch	72,337,384,646	From 26 April 2021 to 24 June 2021	4.9%	Inventories
Ho Chi Minh City Development Joint Stock Commercial Bank	68,348,957,900	From 13 January 2021 to 20 January 2021	6.2%	Unsecured
Shinhan Bank Vietnam Limited	65,000,000,000	From 28 April 2021 to 3 May 2021	5.0%	Unsecured
Joint Stock Bank for Foreign Trade of Vietnam	111,247,972,000	From 22 June 2021 to 30 June 2021	5.2%	Land use rights, buildings and inventories
Military Commercial Joint Stock Bank	47,338,228,281	From 30 March 2021 to 15 May 2021	4.7%	Unsecured
China Construction Bank	44,800,000,000	From 19 May 2021 to 27 May 2021	5.5%	Unsecured

1,713,498,336,265



PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

18 BORROWINGS (continued)

(a) Short-term (continued)

(**) Individual loans represent unsecured loans from the Group's employees with original maturity of 12 months and bear interest at the interest rate of 2.5% - 8% per annum.

The land use rights at No. 52A-52B Nguyen Van Troi Street, Phu Nhuan District, Ho Chi Minh City; No. 195A Phan Dang Luu Street, Phu Nhuan District, Ho Chi Minh City; No. 577 Nguyen Kiem Street, Phu Nhuan District, Ho Chi Minh City and No. 174 Le Thanh Ton Street, District 1, Ho Chi Minh City with total carrying amount of VND63,592,666,838 were held by East Asia Commercial Joint Stock Bank as collaterals for borrowings from that bank at the consolidated balance sheet date.

(b) Long-term

	As at 1.1.2020 VND	Increase VND	Decrease VND	As at 31.12.2020 VND
Bank loans (*)	3,700,000,000	-	(3,700,000,000)	-

(*) Bank loan represents long-term loans from Vietnam Bank for Agriculture and Rural Development under loan contract No. 1902-LAV-2016005156 dated 22 November 2016 to purchase the fixed assets. The term is 60 months from the first drawdown dated 26 December 2016. This loan bears interest at the interest rate 9.5% per annum and is secured by tangible fixed assets and land use right of the Group (Note 10). This long-term borrowing will mature in 2021, therefore as at 31 December 2020, it was reclassified as a short-term loan (Note 18(a)).

19 BONUS AND WELFARE FUND

	2020 VND	2019 VND
Beginning of year	90,682,831,084	62,979,954,425
Appropriation from undistributed earnings (Note 23)	59,696,000,000	47,996,000,000
Utilisation during the year	(34,492,822,139)	(20,293,123,341)
End of year	<u>115,886,008,945</u>	<u>90,682,831,084</u>

20 PROVISION FOR LONG-TERM LIABILITY

The balances represent provision for severance allowance to employees.

21 DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts were as follows:

	2020 VND	2019 VND
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	82,009,418,884	79,740,521,880
Deferred tax assets to be recovered within 12 months	8,974,275,143	8,491,058,187
	<u>90,983,694,027</u>	<u>88,231,580,067</u>

The gross movements in the deferred income tax, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	2020 VND	2019 VND
Beginning of year	88,231,580,067	85,351,824,838
Consolidated income statement credit (Note 33)	2,752,113,960	2,879,755,229
End of year	<u>90,983,694,027</u>	<u>88,231,580,067</u>

21 DEFERRED INCOME TAX ASSETS (continued)

Details of deferred tax assets:

	2020 VND	2019 VND
Deductible temporary differences	<u>90,983,694,027</u>	<u>88,231,580,067</u>

The deferred income tax assets are mainly derived from accruals, provision for long-term investment and provision for severance allowances.

The Group applied tax rate of 20% for determining deferred tax assets.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

22 OWNERS' CAPITAL**(a) Number of ordinary shares**

	2020	2019
Number of shares registered	<u>227,612,362</u>	<u>225,293,585</u>
Number of shares issued	227,612,362	225,293,585
Number of shares repurchased	(169,559)	(105,409)
Number of existing shares in circulation	<u>227,442,803</u>	<u>225,188,176</u>

(b) Details of owners' shareholding

	2020		2019	
	Ordinary shares	%	Ordinary shares	%
Mrs. Cao Thi Ngoc Dung	205,840,180,000	9.04	203,264,180,000	9.03
VinaCapital Fund Management Joint Stock Company (*)	156,537,510,000	6.88	181,331,380,000	8.05
Mrs. Truong Ngoc Phuong (**)	208,209,430,000	9.15	155,997,900,000	6.93
Other shareholders	1,705,536,500,000	74.99	1,712,342,390,000	76.04
Treasury shares	(1,695,590,000)	(0)	(1,054,090,000)	(0)
Number of shares	<u>2,274,428,030,000</u>	<u>100</u>	<u>2,251,881,760,000</u>	<u>100</u>

(*) As at 31 December 2020 and 31 December 2019, VinaCapital Fund Management Joint Stock Company is the representative for a group of investors.

(**) As at 31 December 2020 and 31 December 2019, Ms. Truong Ngoc Phuong is the representative of a group of foreign investors.

22 OWNERS' CAPITAL (continued)

(c) Movement of share capital

	Number of shares	Ordinary shares VND
As at 1 January 2019	167,002,273	1,670,022,730,000
New shares issued	58,290,603	582,906,030,000
Treasury shares	(104,700)	(1,047,000,000)
	<hr/>	<hr/>
As at 31 December 2019	225,188,176	2,251,881,760,000
New shares issued	2,318,777	23,187,770,000
Treasury shares	(64,150)	(641,500,000)
	<hr/>	<hr/>
As at 31 December 2020	<u>227,442,803</u>	<u>2,274,428,030,000</u>

Par value per share: VND10,000 per share.

PHU NHUAN JEWELRY JOINT STOCK COMPANY

Form B 09 – DN/HN

23 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Undistributed earnings VND	Total VND
As at 1 January 2019	1,670,029,820,000	925,397,862,458	(7,090,000)	265,087,556,918	884,565,278,528 (556,649,780,000)	3,745,073,427,904
Dividend paid by shares (Note 24)	556,649,780,000	-	-	-	-	-
Issuance of ordinary shares under Employee Stock Ownership Plan to Employees	26,256,250,000	42,676,250,000	-	-	-	68,932,500,000
Net profit for the year	-	-	-	-	1,193,924,957,243	1,193,924,957,243
Dividends appropriation	-	-	-	-	(345,136,073,800)	(345,136,073,800)
Repurchase share	-	-	(2,094,000,000)	-	-	(2,094,000,000)
Appropriation to bonus and welfare fund (Note 19)	-	-	-	-	(47,996,000,000)	(47,996,000,000)
Appropriation to investment and development fund	-	-	-	47,996,000,000	(47,996,000,000)	-
Appropriation to bonus for the Board of Directors and the Board of Management	-	-	-	-	(35,439,000,000)	(35,439,000,000)
As at 31 December 2019	2,252,935,850,000	968,074,112,458	(2,101,090,000)	313,083,556,918	1,045,273,381,971	4,577,265,811,347
Issuance of ordinary shares under Employee Stock Ownership Plan to Employees (*)	23,187,770,000	23,187,770,000	-	-	-	46,375,540,000
Net profit for the year	-	-	-	-	1,069,310,105,261	1,069,310,105,261
Dividends appropriation (**)	-	-	-	-	(360,262,591,600)	(360,262,591,600)
Repurchase share	-	-	(1,283,000,000)	-	-	(1,283,000,000)
Appropriation of bonus and welfare fund (Note 20) (***)	-	-	-	-	(59,696,000,000)	(59,696,000,000)
Appropriation to investment and development fund (***)	-	-	-	59,696,000,000	(59,696,000,000)	-
Appropriation to bonus for the Board of Directors and the Board of Management (***)	-	-	-	-	(29,848,000,000)	(29,848,000,000)
As at 31 December 2020	2,276,123,620,000	991,261,882,458	(3,384,090,000)	372,779,556,918	1,605,080,895,632	5,241,861,865,008

23 MOVEMENTS IN OWNERS' EQUITY (continued)

- (*) According to Resolution of the Annual General Meeting of Shareholders No. 337/2020/NQ-DHĐCĐ-CTY dated 10 June 2020 and Resolution of the Board of Directors No. 526/2020/NQ-HDQT-CTY dated 26 October 2020, the Company issued 2,318,777 additional shares at the par value VND20,00 per share to members of the Board of Directors, members of the Board of Management, key leaders, middle-level officials and other key employees of the Company and its subsidiaries who have made a great contribution to the results of operations exceeding the 2019 plan.
- (**) The Company has advanced the second dividends of 2019, amounting to VND225,188,176,000 to its shareholders in accordance with Resolution of the Board of Directors No. 197/2020//NQ-HDQT-CTY dated 16 March 2020. In addition, the Company has also advanced the first dividends of 2020 with payment ratio: 6% per share (each share is received VND600) equivalent to VND135,074,415,600 in accordance with Resolution of the Board of Directors No. 558/NQ-HDQT-CTY dated 12 November 2020.
- (***) According to Resolution of the Shareholders No. 337/2020/NQ-DHĐCĐ-CTY dated 10 June 2020, the Shareholders have approved the appropriation of net profit for the year ended 31 December 2019 as follows:
- Dividends payable in cash: VND403,321,976,800;
 - Investment and development fund: VND59,696,000,000;
 - Bonus and welfare fund: VND59,696,000,000; and
 - Bonus for the Board of Directors and Board of Management: VND29,848,000,000.

24 DIVIDEND

	2020 VND	2019 VND
Beginning of year	6,004,841,375	4,744,192,345
Dividend payable during the year	360,262,591,600	901,785,853,800
Dividend paid by shares (Note 23)	-	(556,649,780,000)
Dividend paid in cash	(355,099,739,283)	(343,875,424,770)
End of year	<u>11,167,693,692</u>	<u>6,004,841,375</u>

25 EARNINGS PER SHARE (continued)

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare fund and allowance for the Board of Directors and the Board of Management by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares:

	2020 VND	2019 VND
Net profit attributable to shareholders (VND)	1,069,310,105,261	1,193,924,957,243
Less amount allocated to bonus and welfare fund, allowance for the Board of Directors and the Board of Management (VND) (Note 23)	(89,544,000,000)	(83,435,000,000)
	<u>979,766,105,261</u>	<u>1,110,489,957,243</u>
Weighted average number of ordinary shares in issue (shares)	227,442,803	226,830,176
Basic earnings per share (VND)	<u>4,308</u>	<u>4,896</u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders, which already subtracted the bonus and welfare fund and allowance for the Board of Directors and the Board of Management by the weighted average number of ordinary shares outstanding during the year and the ordinary shares expected to be issued.

The Company has no diluted earnings per share during the year and at the reporting date. Therefore, the diluted earnings per share is equal to the basic earnings per share.

26 OFF BALANCE SHEET ITEMS

(a) Included in cash were balances held in foreign currencies of:

	2020	2019
United States Dollar - USD	1,464,450	92,878
Euro - EUR	3,724	5,901
British Pound - GBP	1,625	1,625
Hong Kong Dollar - HKD	-	970
Australia Dollar - AUD	1,002	27,330
Singapore Dollar - SGD	-	174
	<u> </u>	<u> </u>

(b) The future minimum lease payments under non-cancellable operating leases were VND1,316,720,121,669 and VND1,284,911,526,029 for years ended 31 December 2020 and 31 December 2019, respectively (Note 35).

27 NET REVENUE FROM SALES OF GOODS AND RENDERING OF SERVICES

	2020 VND	2019 VND
Revenue		
Revenue from sales of gold, silver and jewelry	17,487,379,140,948	17,021,086,914,743
Revenue from sales of accessories	153,937,831,108	74,094,543,466
Revenue from rendering of services	40,596,054,121	49,069,988,423
	<u>17,681,913,026,177</u>	<u>17,144,251,446,632</u>
	-	
Sales deductions		
Sales returns	(171,123,340,972)	(138,747,009,690)
Sales allowances	(1,034,206)	(4,823,356,419)
	<u>(171,124,375,178)</u>	<u>(143,570,366,109)</u>
Net revenue from sales of goods and rendering of services	<u>17,510,788,650,999</u>	<u>17,000,681,080,523</u>

28 COST OF GOODS SOLD AND SERVICES RENDERED

	2020 VND	2019 VND
Cost of gold, silver and jewelry sold	14,017,473,506,356	13,477,510,306,465
Cost of accessories sold	49,331,825,580	52,048,357,537
Cost of services rendered	9,250,438,176	10,408,924,260
	<u>14,076,055,770,112</u>	<u>13,539,967,588,262</u>

29 FINANCIAL INCOME

	2020 VND	2019 VND
Interest income	251,771,651	163,983,543
Realised foreign exchange gains	2,117,186,665	15,227,671,175
Net gain from foreign currency translation at year-end	-	1,242,529,054
Others	-	185,836,962
	<u>2,368,958,316</u>	<u>16,820,020,734</u>

30 FINANCIAL EXPENSES

	2020 VND	2019 VND
Interest expense	154,416,694,276	115,367,610,418
Realised foreign exchange losses	3,510,464,614	16,957,712,435
Net loss from foreign currency translation at year-end	177,425,063	-
Others	3,436,503,539	1,352,795,644
	<u>161,541,087,492</u>	<u>133,678,118,497</u>

31 SELLING EXPENSES

	2020 VND	2019 VND
Staff costs	686,547,472,373	653,073,707,061
Rental	258,343,539,717	243,219,168,957
Advertising and marketing	146,040,903,385	146,451,795,516
Tools and supplies	106,063,237,322	112,174,354,037
Depreciation	15,627,150,063	11,750,396,311
Outside services	120,084,763,960	112,132,295,311
Others	88,148,586,627	83,005,836,314
	<u>1,420,855,653,447</u>	<u>1,361,807,553,507</u>

32 GENERAL AND ADMINISTRATION EXPENSES

	2020 VND	2019 VND
Staff costs	365,513,573,695	332,507,725,623
Tools and supplies	12,944,672,439	15,703,473,853
Depreciation	29,840,270,105	25,057,807,877
Fee charges	1,063,819,767	608,762,839
Outside services	46,497,230,253	45,740,979,104
Others	49,713,228,346	56,212,948,634
	<u>505,572,794,605</u>	<u>475,831,697,930</u>

33 BIT

The BIT on the Group's accounting profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2020 VND	2019 VND
Net accounting profit before tax	1,345,980,468,715	1,506,712,385,551
Including		
- Accounting profit before tax	1,357,382,622,984	1,562,785,325,757
- Accounting loss before tax	(11,402,154,269)	(56,072,940,206)
Tax calculated at a rate of 20%	271,476,524,597	312,557,065,151
Effect of:		
Expenses not deductible for tax purposes	10,572,971,477	2,050,518,127
Others	(5,379,132,620)	(1,820,154,970)
BIT charge (*)	<u>276,670,363,454</u>	<u>312,787,428,308</u>
Charged/(credited) to income statement:		
BIT – current	279,422,477,414	315,667,183,537
BIT – deferred (Note 21)	(2,752,113,960)	(2,879,755,229)
	<u>276,670,363,454</u>	<u>312,787,428,308</u>

(*) The BIT charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

34 COSTS OF OPERATION BY FACTOR

Costs of operation by factor represent all costs incurred during the year from the Group's operating activities, excluding cost of merchandises for trading activities. Details are as follows:

	2020 VND	2019 VND
Raw materials	16,444,008,915,822	11,326,214,866,824
Staff costs	1,495,853,797,605	1,203,404,487,813
Tools and supplies	116,343,456,871	130,348,291,206
Depreciation	97,947,867,897	61,066,130,585
Outside services	618,849,764,368	574,223,574,865
Others	350,001,532,760	372,676,932,560
	<u>19,123,005,335,323</u>	<u>13,667,934,283,853</u>

35 RELATED PARTY DISCLOSURES**Related party transaction**

During the year, the following major transaction were carried out with related parties:

	2020 VND	2019 VND
<i>Compensation of key management</i>		
Gross salaries and other benefits	54,932,689,167	62,508,652,917
In which:		
Board of Directors	13,327,809,094	15,947,602,130
Board of Management	31,098,221,218	37,211,071,637
Others	<u>10,506,658,855</u>	<u>9,349,979,150</u>

36 COMMITMENTS UNDER OPERATING LEASES

The future minimum stores lease payments under non-cancellable operating leases were as follows:

	2020 VND	2019 VND
Within one year	230,896,342,548	230,886,854,351
Between one and five years	727,906,892,402	659,220,215,715
Over five years	357,916,886,719	394,804,455,963
Total minimum payments	<u>1,316,720,121,669</u>	<u>1,284,911,526,029</u>

37 SEGMENT REPORTING

Geographical segment

The Group has performed all manufacturing and trading activities of gold, silver, jewelry, gemstones and services in Vietnam only. Therefore, the Group does not present the Geographical segment.

Business activity segment

Manufacturing and trading gold, silver, jewelry and gemstones is the principal activities of the Group to generate revenue and earn profit for the Group, whereas, other income accounts for a small portion in total revenue of the Group, therefore, the Board of Management assumed that the Group is in one business activity segment only.

38 EFFECTS OF COVID-19

The outbreak of the Covid-19 disease since the beginning of 2020 is a fluid and challenging situation facing all industries. Therefore, the Group had performed a preliminary assessment of the overall impact of this situation on the Group's operations, including the recoverability of the carrying amount of assets, measurements of its assets and liabilities, as well as implications to the Group's borrowing debt covenants... At the approval date of these consolidated financial statements, the Board of Management is not yet able to reliably estimate the financial impact of the Covid-19 on the Group's results for the next accounting period. The Board of Management will continue to monitor this situation and take appropriate and timely actions to minimise its impact.



The consolidated financial statements were approved by the Board of Management on 15 March 2021.

Nguyen Thanh Dat
Preparer

Duong Quang Hai
Chief Accountant



Le Tri Thong
General Director

